# FINANCIAL TIMES


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World Business Newspaper http://www.FT.com WEDNESDAY AUGUST 21 1996

## Rise in number of passengers fails to lift SAS

Scandinavian Airlines System announced profits in the first six months only fractionally up at SKr1.05bn ($152m), from SKr1.04bn, despite a 7 per cent increase in passenger traffic and the first benefits from a joint venture with Lufthansa, the German carrier. Page 13

**US trade gap with China widens:** The US trade deficit with China rose to $3.3bn in June, for the first time surpassing the trade gap with Japan – which stood at $3.2bn. Page 12

**Paris exchange plans euro move:** The Matif, the Paris futures and derivatives exchange, is considering launching euro-denominated contracts as early as 1998, before European monetary union the next year. Page 13

**Fed leaves interest rates unchanged:** The Federal Open Market Committee ended its monthly meeting with no change to interest rates. Bonds, Page 18

**Brussels meeting over VW aid:** Germany's economics minister Günter Rexrodt meets EU competition commissioner, Karel Van Miert, in Brussels on Friday in an attempt to settle the dispute aid to the car manufacturer Volkswagen. Page 2

**Clinton's poll lead cut:** Four US surveys showed Republican presidential nominee Bob Dole has narrowed US president Bill Clinton's lead in opinion polls to 3-11 points, from the 20-point deficit before the San Diego convention. Page 3

**German employers attack union role:** The president of Germany's largest employers' federation has attacked trade union involvement in company decision-making, said it was driving many foreign investors away. Page 2

**Australian treasurer promises surplus:** Australian federal treasurer Peter Costello (left) promised a $A1bn (US$700m) surplus by 1998/99

as he detailed the conservative government's first budget since it won a landslide election in March. Public demonstrations against planned spending and social welfare cuts erupted into violence for the second day. Mr Costello said the moves would reduce the budget deficit to A$5.7bn, from A$10.3bn last year. Page 12; Numbers add up, Page 10; Lex, Page 12

**Italian magistrates target Bossi:** Magistrates in northern Italy are seeking the removal of parliamentary immunity for Northern League leader Umberto Bossi so they can charge him with slander, threatening behaviour and incitement. Page 2

**US airlines push prices up:** US air fares rose to new highs this year as airlines took advantage of strong demand to push up prices. Preliminary figures from the Air Transport Association showed US airlines' net profits up 64 per cent in the first half of the year. Page 14

**Japan's police admit gas attack failure:** A Japanese police report has accepted criticism over its inability to tackle the Aum Shinrikyo sect's nerve gas attacks which killed 11 and left thousands ill last year. Page 5

**Hashimoto on Latin America mission:** Japanese prime minister Ryutaro Hashimoto arrived in Mexico for a 10-day tour of Latin America, which Japanese companies believe has great economic potential. Page 3

**US probes supercomputer sale:** A US commerce department probe into the sale of a supercomputer by Japanese electronics company, NEC, to a US research centre, has prompted Japanese concern. Page 4

**Cuban expulsion prompts retaliation:** The US state department said it was ordering out a Cuban diplomat in retaliation for Havana's decision to revoke the visa of an officer at the US Interests Section. Page 3

**Sumitomo denial:** Sumitomo Corporation of Japan denied knowing about secret copper trades by its former head copper trader, Yasuo Hamanaka, which led to the company announcing losses of at least $1.8bn. Page 5

**FT.com:** the FT web site provides online news, comment and analysis at http://www.FT.com

### STOCK MARKET INDICES

| | | |
|---|---|---|
| **New York: lunchtime** | | |
| Dow Jones Ind Av | 5,713.12 | (+13.68) |
| NASDAQ Composite | 1,128.41 | (-4.5) |
| **Europe and Far East** | | |
| CAC40 | 2,019.26 | (+33.05) |
| DAX | 2,580.26 | (-2.50) |
| FT-SE 100 | 3,853.2 | (+19.5) |
| Nikkei | 21,127.01 | (+20.60) |

### US LUNCHTIME RATES

| | |
|---|---|
| Federal Funds | 5¼% |
| 3-mth Treas Bills: Yld | 5.169% |
| Long Bond | 98½ |
| Yield | 6.794 |

### OTHER RATES

| | | |
|---|---|---|
| UK: 3-mo Interbank | 5⅞% | (5¹¹⁄₁₆%) |
| UK: 10 yr Gilt | 98 | (98¹⁄₃₂) |
| France: 10 yr OAT | 106.45 | (106.47) |
| Germany: 10 yr Bund | 98.89 | (99.93) |
| Japan: 10 yr JGB | 99.117 | (99.2219) |

### NORTH SEA OIL (Argus)

| | | |
|---|---|---|
| Brent Dated | $21.29½ | (21.585) |

### GOLD

| | | |
|---|---|---|
| **New York Comex** | | |
| (Dec) | $392.9 | (392.4) |
| **London:** | | |
| close | $387.4 | (386.6) |

### DOLLAR

| | | |
|---|---|---|
| **New York: lunchtime** | | |
| £ | 1.54865 | |
| DM | 1.48915 | |
| FFr | 5.0874 | |
| SFr | 1.20855 | |
| Y | 108.355 | |
| **London:** | | |
| £ | 1.5472 | (1.5455) |
| DM | 1.4883 | (1.4882) |
| FFr | 5.0875 | (5.0906) |
| SFr | 1.2083 | (1.2071) |
| Y | 108.33 | (107.95) |

### STERLING

| | | |
|---|---|---|
| DM | 2.3043 | (2.3) |
| **Tokyo $ close:** | | |
| Y107.955 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Albania | LEK 220 | Gibraltar | £0.75 | Lithuania | Lts 15.00 | Qatar | QR13.00 |
| Austria | Sch37 | Greece | Dr400 | Lux | LFr75 | S.Arabia | SR12 |
| Bahrain | Din1.250 | Hong Kong | HK$20 | Malta | Lm0.85 | Singapore | S$4.30 |
| Belgium | BFr75 | Hungary | Ft230 | Morocco | MDh16 | Slovak Rp | Sk65 |
| Cyprus | C£1.20 | Iceland | IKr230 | Neth | Fl 4.75 | S. Africa | R12.00 |
| Czech Rp | Kc60 | India | Rs75 | Nigeria | Naira90 | Spain | Pta250 |
| Denmark | DKr18 | Israel | Shk7.90 | Norway | NKr22.00 | Sweden | SKr20 |
| Egypt | E£5.00 | Italy | L3200 | Oman | OR1.50 | Switz | SFr3.70 |
| Estonia | Ekr 22 | Japan | Y500 | Pakistan | Rs40 | Syria | S£65.00 |
| Finland | FM15.50 | Jordan | JD1.50 | Poland | Zl 5.50 | Tunisia | Din1.750 |
| France | FFr12.00 | Kuwait | Fils600 | Portugal (mainland) | Es240 | Turkey | L90,000 |
| Germany | DM4.00 | Lebanon | LL3,000 | | | UAE | Dh12.00 |

## Lebed challenges authenticity of presidential order for Chechnya attack

# Yeltsin's grip on power in doubt

By Chrystia Freeland in Moscow

Speculation that ailing president Boris Yeltsin no longer rules Russia mounted yesterday when Mr Alexander Lebed, the security chief, accused Kremlin aides of issuing presidential decrees without Mr Yeltsin's knowledge using a "facsimile" of his signature.

The allegation coincided with Russian media reports that the recently re-elected leader is in hospital with cardiac problems and could undergo heart by-pass surgery "in the coming hours".

A presidential spokesman dismissed the health claim as "complete garbage" and said Mr Yeltsin was in Valdai, a holiday resort 350km north-east of Moscow. Presidential aides also fiercely rebutted Mr Lebed's accusations with an official press release that described the former general's staff at the Security Council as "befuddled".

But Mr Yeltsin's prolonged absence from the public eye has heightened speculation that the infighting in the government is the first stage of a succession struggle.

He was last seen in public at his inauguration on August 9 when he read his oath from an autocue in a flat, sometimes halting, voice. Mr Yeltsin, at 65, is six years over the average life expectancy for Russian men. He suffered two mild heart attacks last year.

The battle within the Kremlin is largely being fought over policy towards Chechnya. Residents of Grozny, the Chechen capital, are bracing themselves for a Russian military attack scheduled for tomorrow.

Mr Lebed, a plain-speaking former general charged with ending the 18 month conflict with Chechen separatists, opposes the planned bombing.

Yesterday's statement from the Security Council, which is run by Mr Lebed, challenged the authenticity of a presidential instruction allegedly ordering Russian forces to storm Grozny.

"The contents of the documents give solid grounds to doubt that the president of Russia took direct part in finalising the text of the order," the Security Council text said.

If carried out, the statement said, the instructions would "mean the beginning of a large-scale military operation involving aviation and artillery which would naturally lead to heavy losses among federal troops, massive deaths among the civilian population and a justified burst of resentment in the country".

But the high-profile protests of Mr Lebed, a popular former paratrooper who plans to travel to Chechnya today, appear to have had little effect on the Russian military leaders in the war-torn region.

General Vyacheslav Tikhomirov, commander of Russian military forces in Chechnya, who returned to his post from holiday yesterday, reiterated the threat to mount an all-out attack against Grozny tomorrow if Chechen separatist fighters have not left the city.

The military's determination has mystified foreign observers who had hailed Mr Yeltsin's June purge of hardline allies as a sign that he would seek a peaceful settlement of the Kremlin's most devastating conflict since the Afghanistan war.

# Banks set for accord to cut credit risks

By George Graham, Banking Correspondent

European and Japanese banks are poised to slash billions of dollars from the credit risks they run up with each other in the $6,000bn cross-border deposit market.

British banking experts have drafted a standard agreement which they believe will allow banks a legally watertight way of offsetting their deposits with each other, whatever the currency, if either should default.

"What the agreement says is that if I lend you $100m in sterling and you lend me $100m in yen, we are even," explained one London banker closely involved with drafting the accord, which was launched yesterday by the British Bankers' Association.

Barclays Bank in the UK intends to sign agreements to offset deposits in this way with 30-40 banks which are its biggest trading partners.

"I think this is a major step towards reducing the risk that pervades the market," said Mr Ashley Dowson, Barclays' head of systemic risk management.

Japanese banks are also expected to be keen to adopt the agreement.

Many Japanese banks have in the last year found it hard to attract interbank deposits because of fears over the stability of their country's financial system.

"There is heavy interest from Japan because Japanese banks still have large balance sheets," said Mr Michael Tagai at Bank of Tokyo-Mitsubishi in London.

A big international bank might well have deposits with other banks of $50bn or more, and some bankers estimate that one third of that could typically could be netted out.

That would result in a substantial reduction in the size of a bank's balance sheet, and could save it $200m a year on the cost of maintaining a capital cushion to cover its exposure.

Banks already use this kind of agreement to net out offsetting debts in domestic deposit markets as well as in trading of derivatives such as options.

But they have been unsure whether they could make the offsetting claims stand up in international courts in the event of a default. In such cases, receivers and liquidators seek to call in every deposit the defaulting bank has made while not paying back the deposits it holds from other banks.

Moreover, commercial law in many countries regards foreign currencies as commodities, not as money, which makes it more difficult to offset one currency against another.

But the netting agreement has been vetted by lawyers in Japan, Switzerland, Germany, France and Belgium – countries which account for most of the global deposit market.

London bankers believe that the agreement also has a good chance of standing up to a legal challenge in the US, but they are more cautious about this.

South Korean protesters, some suffering from the effects of teargas, are led away by riot police who stormed a building at Yonsei university where students were demanding the reunification of the two Koreas Report, Page 12; Editorial Comment, Page 11 Picture: AP

# Prospects rise of German rate cut

By Andrew Fisher in Frankfurt

Expectations of a small cut in German short-term interest rates this week increased yesterday when the Bundesbank announced that money supply growth slowed further in July after its rapid increase earlier in the year.

Speculation that the German central bank would shave its securities repurchase (repo) rate has grown ahead of tomorrow's meeting of its policymaking council, the first since its summer break.

It took no action at the last meeting in July, despite hints by Bundesbank directors that a reduction was on the cards.

Since then, the French franc has come under pressure as a result of concern over France's economic performance and tension between the government and the Banque de France. A cut in German rates would help to ease the strain on the franc by encouraging funds to flow out of the strong D-Mark.

The news that M3, Germany's broad monetary aggregate, rose at an annualised rate of 8.6 per cent in July against 9.6 per cent in June and 10.5 per cent in May, has eased a big constraint on Bundesbank action, economists said.

The target growth range is 4-7 per cent – based on the fourth quarter of 1995 – and the bank is concerned this should not be overshot significantly.

However, the improved M3 trend is not the only current influence on the Bundesbank.

It will also look closely for clues to the state of the economy in today's monthly business sentiment index of the Ifo economic research institute, which is expected to show a slight improvement for July

Continued on Page 12
UK economy, Page 6

# Bata to review its strategy after management turmoil

By Bernard Simon in Toronto

Bata, one of the world's biggest footwear groups, is again considering reshaping its operations in an attempt to overcome recent internal turmoil and a fading competitive position.

The family-owned group has commissioned a sweeping review of its business strategy with the help of McKinsey, the management consultants. Its report is due to be completed by the end of September.

Bata has struggled in recent years to adjust to rapid changes in the international footwear business. It has been slow to develop distinctive brands and to match the marketing flair of rivals such as Nike and Reebok.

The outcome of the review will probably once again hinge on the attitude of Mr Tom Bata, the forceful 81-year old patriarch, who moved the family business from Czechoslovakia to Canada in the early 1930s and has been in charge ever since.

Mr Bata no longer has executive responsibility in the company (he is chairman emeritus). But last year he successfully resisted changes, including the sale of large chunks of Bata's European operations which was proposed by a management team recruited in 1994 and 1995.

Six of the seven members of that team have already left the group. One, Mr Peter Legg, launched a lawsuit against Bata earlier this month, alleging the company misrepresented the role that the team would play.

Bata has shed about a fifth of its 6,000 retail outlets over the past 18 months. A large French subsidiary filed for bankruptcy protection earlier this year. Bata India, which is the country's biggest shoe retailer, has been through a shake-up after suffering sizeable losses.

However, the group retains a powerful presence in parts of Latin America, Africa and Asia. Some of its European units, such as Italy, also perform strongly.

Mr Adrian Bellamy, non-executive chairman of Bata's holding company, said: "We have a fine company that has had its problems and issues.

"I'm one of many people helping to get it moving in the direction it should be moving," he added.

Mr Legg's statement of claim against the company alleged that the Bata family continually stymied efforts by the recently ousted management to move the company in a fresh direction.

Bata has not yet responded to Mr Legg's allegations.

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**NEWS:** EUROPE

# Stumpfe shakes pillar of labour law

## Gesamtmetall leader tells **Wolfgang Münchau** that union role on German boards is bad for business

**The president of Germany's largest employers' federation has attacked the involvement of trade unions in company decision-making, one of the central features of Germany's post-war economic consensus.**

Mr Werner Stumpfe, head of Gesamtmetall, which represents 8,500 companies – including some of Germany's biggest – in the engineering and electrical sectors, said union influence on the boards of large companies was driving many foreign investors away and should be restricted.

His comments come at a time when many companies, especially in Gesamtmetall's sectors, are expressing concern about loss of competitiveness. Most of the debate has focused on wage and social security costs, but Mr Stumpfe's comments suggest that employers are beginning to question a system which is a centrepiece of German labour law.

Under so-called co-determination, workers representatives in large companies have the right to a strong representation on the supervisory board – in most cases 50 per cent. In the coal and steel industries, workers nominate the personnel director, in other industries they can exert influence over this position.

"This strongly legalistic co-determination model is hostile to foreign investors," Mr Stumpfe said in an interview. Inward investors from the US and Asia – "where they have the necessary freedom to succeed" – had to deal with constraints in Germany which were much stricter than at home.

He acknowledged that works councils, elected bodies which represent employees, fulfilled a useful communication role between employees and management.

"In many companies, where the employer is depending on support from trade unions, the unions insist that the personnel director be a unionist as a precondition for any deal," he said. Some German personnel directors did not show sufficient strength, he claimed, because they needed union backing to keep their jobs.

He criticised industrial institutions, including employers' federations, for not keeping up with the times. "If you are a company and you lag behind the market for six months, you are out of the game. As a trade union or an employers' federation you can lag behind for 25 years, and you are still there."

He said the survival of Germany's industrial system, especially regional wage bargaining, depended on the readiness of unions to embrace flexibility, including labour contracts which gave companies in trouble the right to opt out of sector-wide agreements and seek in-house deals. This has been one of the biggest sticking points in recent wage negotiations.

"In the old days, employers asked themselves: 'How bad is this wage agreement for me?' Today, they say: 'I don't care about the agreement any more, because I have four or five excellent exit routes. I may simply relocate 10,000 jobs to the Czech Republic. Or I may outsource'."

One of the most notable changes in Germany over the past 10 years, he said, was the attitude among employers. "They don't want to wait for two years for a good wage agreement; they want it now. They are more intolerant; they are no longer prepared to say that something is half-right. They now say that it is wrong.

"There is less solidarity. A typical statement they make to me is: 'Mr Stumpfe, you can count on our solidarity only for as long as it does not cost money'."

This new hard-nosed attitude was one reason why German companies were leaving Germany. The metal and electrical industries, Germany's largest industrial sector, is set to lose 120,000 jobs this year, according to Gesamtmetall forecasts.

Asked for a medium-term forecast, Mr Stumpfe said the industry might retain its current employment levels of around 3.5m, plus or minus 150,000, by the year 2000, but only "as long as we do not make any serious mistakes".

# Cold war leaves hot legacy for Russians

## Navy sits on its hands while unwanted nuclear vessels rot in port, writes **Matthew Kaminski**

The detention on charges of treason of a Russian former naval officer, who quickly became known as the new Russia's first prisoner of conscience, has shone a light on a dark remnant of the cold war.

A large accumulation of old nuclear submarines and worn out reactors near the Arctic Circle has raised concern among environmentalists, but Russia cannot afford, nor seems particularly inclined, to dispose of them safely.

In February, the Federal Security Service (FSB), successor agency to the Soviet KGB, arrested Mr Alexander Nikitin, a retired naval captain who had been working in the St Petersburg office of the Bellona Foundation, a Norwegian environmental group, on a report about radioactive pollution in the Russian navy.

The security service claims Mr Nikitin gave away state secrets, but Bellona says the documents were freely available. He is now in a St Petersburg jail facing trial in the autumn – and, possibly, the death penalty if convicted.

Environment concerns centre on the Murmansk region. By the end of the cold war, 67 of Russia's 109 nuclear submarines were based there, but there was no plan for their maintenance and future disposal.

The Northern Fleet, the country's largest, based at Severomorsk on the Kola Peninsula, has 270 nuclear reactors (18 per cent of the world's total) but lacks the cash to look after them properly. Full overhauls of active submarines have been suspended on cost grounds and fleet commanders admit crews are inadequately trained to maintain and operate the reactors.

Plans to decommission 88 nuclear submarines are hampered by the high cost of doing so. It takes Rbs22bn ($4m) to dismantle and dispose of safely a single Yankee class vessel. Bellona fears these older vessels may sink before they are dealt with.

At the same time, radioactive waste from 90 reactor cores is stored in what the foundation describes as "unsafe conditions" at nearby Zapadnaya Litsa, Russia's largest submarine base, which lacks facilities to treat it properly. Another 18 cores on ships and barges are claimed to be in similarly precarious condition.

> The Northern Fleet has 270 reactors but lacks the cash to look after them properly

A Norwegian diplomat in Murmansk said radioactive waste and six nuclear reactors had been dumped in the Kara Sea near the closed military island of Novaya Zemlya, just below the Arctic Circle.

Norway, which lies just across Russia's western border, would suffer most from any mishap. An estimated 8,000 cubic metres of radioactive liquid waste in storage at the Northern Fleet might contaminate the Barents Sea or leak into the ground.

Western governments have pressed Russia to tackle the problem and have offered some help. But the Norwegian diplomat said any meetings in closed naval ports had to be approved far ahead of time through Moscow, making co-operation difficult. Even the Russian state radiation protection authority, Gosatomnadzor, is denied access to information about the Northern Fleet.

Submarines and military-generated waste are not the only problem, however. Nuclear icebreakers, whose use was pioneered by the Soviet Union in the 1950s, have also left a dangerous legacy.

The legendary Lenin, the world's first nuclear-powered surface ship, replaced the dog sled as a way of reaching the North Pole, but now sits idly in the port of Murmansk, slightly irradiated. Its reactor was dumped in the Kara Sea.

Next to it is the Lepse, whose 62-year-old brown hull provides improvised storage for radioactive waste picked up over years of refuelling atomic icebreakers at sea. Like the Lenin, it belongs to the Murmansk Shipping Company, a partially privatised fleet of nine nuclear icebreakers in which Menatep, a large Moscow investment bank, recently took control with a 42 per cent stake. The Lepse could sink in a storm or collide with another ship in the busy Kola Bay, says Bellona.

Mr Vladimir Volkov, deputy technical director at Murmansk Shipping, said the company wanted to dismantle the ship, fill the storage tanks with concrete and bury the hull in the permafrost on Novaya Zemlya. The spent fuel would be sent for storage or kept at a temporary site onshore. However, the government could not afford this solution "because it is poor".

Unlike the military, the company has sought out US and Norwegian funding. But, said Mr Volkov, "when other countries are ready to help, the Russian government wants us to pay a tax on the aid, so we are reluctant to take it".

There are echoes of the old Russia in the new Russia's lack of openness about its environmental problems and treatment of its latest dissident. The FSB went ahead with the arrest despite a Russian law passed last year that declassified information "on the condition of the environment". Initially, it even denied him an independent lawyer and refused to spell out the charges against him.

Mr Yuri Berger, deputy governor in the Murmansk region, argues that the nuclear reactors and waste pose no real threat to the population or the economy. He laughs off the Nikitin affair. "The latest scandal with Nikitin will be settled in a court because Russia is now a country based on the rule of law," he said. "Bellona, you know, is a financial organisation that looks for these kinds of scandals to keep itself well funded."

**Condemned.** Submarines in Sayda Bay, with, on the far left, a moored reactor section. Bellona Report, 1994

# German students tempted back to barracks

By Michael Lindemann in Bonn

Faced with dwindling recruitment, Germany's armed forces have decided to open their barracks to university students in need of cheap accommodation.

From October, 150 places will be available in barracks across Germany for students who have completed their military service.

The Bundeswehr admits that the rooms will not afford much luxury but at DM160 ($107) a month they will be "unbeatably reasonable". A student sharing a flat would expect to pay DM400-DM800.

So determined is the Bundeswehr to improve its image among Germany's peace-loving youth, that it is prepared to relax some of the rules of barracks life for its paying guests.

Students will even be allowed into the barracks if they return from parties blind drunk at 3am. Soldiers have to be back in barracks by 11pm and, while they may be intoxicated, have to be on duty bright and early the next morning.

"All we would ask is that they don't make an appalling racket as they try to find their way back to their rooms," the Bundeswehr said.

"They won't be regarded as soldiers, but they would have to show some consideration for the others at the barracks."

Most students will be guaranteed a single room which they can decorate to their tastes – ordinary soldiers still sleep in barrack rooms.

However, not all regulations will be relaxed: students will have to observe the military rule that no member of the opposite sex may stay overnight.

The scheme is the latest marketing ploy by Mr Volker Rühe, the country's defence minister, to persuade Germans that it is better to put on a helmet for 10 months than to help out in a hospital for 13 months. Young Germans can opt out of 10 months in the Bundeswehr if they agree to work for 13 months in community tasks.

Last year, a record number of Germans – 160,659 – refused to serve their time in the 340,000-strong Bundeswehr, the European Union's largest armed forces.

Ms Claire Marienfeld, the parliamentary deputy who is also the Bundeswehr ombudsman, said that the rising numbers of conscientious objectors meant the Bundeswehr would have "considerable problems" filling its ranks in the future.

EUROPEAN NEWS DIGEST

# Brussels talks set on VW aid

Mr Günter Rexrodt, Germany's economics minister, will meet Mr Karel Van Miert, EU competition commissioner, in Brussels on Friday in an attempt to settle the dispute between the European Commission and the German state of Saxony over aid to the car manufacturer Volkswagen.

The two had a 20-minute telephone conversation yesterday which, the Bonn economics ministry indicated they could reach "a sensible and practical solution" to the quarrel about state aid worth DM241m ($162m) for a VW plant in Saxony. However, the Commission repeated yesterday that only full repayment of the illegal aid by VW was acceptable.

Bonn has condemned Saxony's payment of almost DM92m to Volkswagen in defiance of a Commission ban. But it shares Saxony's view that Volkswagen is entitled to investment support totalling DM780m to help create employment in economically deprived regions of eastern Germany. *Michael Lindemann, Bonn*

## Swedish foreign trade booms

Sweden's balance of payments surplus in the 12 months to June reached SKr43.6bn ($6.5bn), or 2.6 per cent of gross national product, its highest percentage since 1973, the central bank reported yesterday. The surplus, helped by a strong trade performance, has helped the recent relatively strong performance of the krona.

Imports have been held back by tough government budgetary constraints, low domestic consumption and lower investment levels this year. In June, the trade surplus rose to SKr14.3bn, a record level reached after a steady climb since February. The increase lifted the current account surplus in June to SKr5.2bn, double the level in May.

Meanwhile, the Economic Research Institute said its monthly survey of industry indicated a reversal of the recent downturn in overall output as a result of higher export orders in July. Although production levels were largely unchanged during the month, companies were optimistic of a recovery in the pulp and paper, retail, electronics and telecoms sectors. The car industry also expected an improvement after reverses in the first half. *Hugh Carnegy, Stockholm*

## Gdansk shipyard plan dropped

Liquidators at Poland's bankrupt Gdansk shipyard have cancelled a management rescue plan to lease 60 per cent of the yard's assets to a new company, the New Gdansk Shipyard which would complete nine ships worth $500m – the most profitable contracts from the yard's 17-vessel order book.

But the team said it would continue trying to secure financing from domestic banks to enable work to continue, to win better terms from the shipowners and secure outside investors. The PKO SA and the Bank Handlowy, the two state-owned banks involved, have said they will only extend new loans if the government provides guarantees.

The PKO SA appears to have decided to cut its losses and auction a 1,500-container vessel being built for a German-owned company based in Cyprus. The Solidarity trade union is planning a national demonstration at the end of this month to commemorate its birth in 1980 in a strike at the Gdansk yard. Demands to save the yard which employs 6,200 people are likely to figure strongly.

● Poland is to ban heavy lorries from its roads on hot days in an effort to protect road surfaces, an official said yesterday. Vehicles over 12 tons, apart from military, police, fire brigade and rescue vehicles, will not be allowed on roads from 11am to 11pm when temperatures exceed 30°C (86°F) and the forecast for the next day is the same. *Christopher Bobinski, Warsaw*

## Bulgarian refinery may close

Bulgaria's cabinet has decided to close the debt-ridden Plama oil refinery, which produces 80 per cent of the country's lubricating oils, if no buyer can be found by December. The refinery stopped production last November when it ran out of cash to buy crude. This year, Bulgaria's Biohim Bank blocked credits of $40m granted against the refinery's assets.

Last week, the cabinet decided to sell a stake in the 25-year-old refinery, one of 64 state companies scheduled for closure as part of the economic reform programme agreed with international financial institutions. Unions, politicians and business interests have pressed for Plama to be removed from the list.

Officials said any buyer would have to service Plama's debts, which totalled some Lv9bn ($46m) last month. A Privatisation Agency official said Plama would be sold this month. *Reuter, Sofia*

## Fifth bomb blast in Corsica

A powerful bomb yesterday damaged the office of the central government representative in Sartene, Corsica. It was the fifth bombing of a public building on the French Mediterranean island, riven by separatist strife, in just over a week.

Police said yesterday they had defused another bomb at the home of Mr Jose Rossi, president of the elected council of south Corsica, a few days after a bomb wrecked a villa belonging to his council. No one has claimed responsibility for the attacks, although separatists regularly target government buildings. *Reuter, Ajaccio*

## Riviera rail strike over

French Riviera train conductors ended a 36-hour strike yesterday which had forced the SNCF state railway company to cancel five inter-city trains between Marseilles and Nice and 75 per cent of regional traffic on Monday. They were protesting about increasing risks from fare dodgers, pickpockets and thugs.

A trade union spokesman said SNCF management had promised to increase staff and equip conductors with portable telephones to tighten security on routes regarded as dangerous. *Reuter, Marseilles*

■ Italian producer prices in June rose 0.6 per cent from a year earlier but fell 0.2 per cent from the previous month.
■ Dutch industrial output in June was up 4.7 per cent from a year earlier before seasonal adjustment.
■ The Danish consumer price index fell 0.2 per cent in July from June, bringing the year-on-year rise to 2.3 per cent compared to 2.0 per cent in June.

# French national savings bank may gain form of mutuality

By Andrew Jack in Paris

The Caisse d'Epargne, France's national savings bank network, is considering fundamental changes to its legal status to bring it more into line with the country's mutual banks.

The modifications would clarify its ownership structure and could give it the chance to strengthen its balance sheet by issuing shares to investors outside the group.

The bank said yesterday that discussions on a form of "mutualisation" had been under way for several months and were likely to be concluded within the next three months, followed by proposals to parliament for new legislation.

France's commercial banks accuse the Caisse d'Epargne of distorting competition. They say it can undercut them as it does not pay dividends to investors. In 1995, it reported net profits of FFr1.6bn ($314m) on total shareholders' funds of FFr62.1bn, suggesting a very low rate of return on equity.

Officials at the Caisse reject the attacks and stress that there have already been wide changes to its organisation and status, including important modifications to the law by which it operates.

The Centre National des Caisses d'Epargne, which controls the network, is 65 per cent owned by 35 regional savings banks, with the remainder held by the state-backed financial institution Caisse des Dépôts et des Consignations.

The latest discussions follow renewed interest by the institution in partnerships with, or acquisition of, other financial groups. It has expressed interest in buying the 67 per cent stake the government is selling in CIC, the bank controlled by the state-owned GAN insurance group. It is considering alliances including one with the Banque Populaire, another mutualist group.

Earlier this year, it expressed its commitment to distributing 10 per cent of its profits as a "social dividend" to community causes, formalising a long-standing practice.

Officials said yesterday there was no question of the institution becoming like a commercial bank or a limited company. It intended to continue to play an important role in the "public interest" and in the fabric of the regional French economy.

The commercial banks have also criticised the Caisse for having duopoly control, with the Post Office, of the Livret A, a tax-free state savings scheme. These advantages have been eroded with the introduction of new savings products available through all banks.



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# Move to charge Bossi with slander and threats


Bossi: call by magistrates to lift his immunity

By Robert Graham in Rome

Magistrates in northern Italy have asked parliamentary immunity to be removed from Mr Umberto Bossi, leader of the populist Northern League, so they can charge him with slander, threatening behaviour and incitement.

The charges relate to two speeches by Mr Bossi last summer, in which he is said to have told his followers they would "go from house to house to get" people who voted for the rightist National Alliance (AN).

The move to prosecute comes at a moment when government and opposition are increasingly concerned by the verbal excesses of Mr Bossi as he prepares to celebrate on September 15 the independence of "Padania", an ill-defined area of Italy north of the River Po.

Mr Roberto Marone, an associate of Mr Bossi and interior minister in the 1994 Berlusconi government, claimed the move sought to limit freedom of expression. An earlier attempt to prosecute the League for allegedly sabotaging the constitution failed on the grounds that expressing an opinion "was not a crime".

The present centre-left coalition government and the previous technocratic administration have sought to avoid a judicial confrontation with Mr Bossi, in case it backfired and made him a "martyr" for the cause of northern separatism.

While prime minister last year, Mr Lamberto Dini overruled in cabinet moves by Mr Filippo Mancuso, then justice minister, to press charges against Mr Bossi for alleged subversion.

Documents sent to parliament by the Bergamo public prosecutor allege Mr Bossi incited supporters at a rally to pinpoint all those who had voted for AN.

At the second rally he was said to have used even rougher language: "Sooner or later we'll put them (AN) out of their houses one by one. You've voted for AN? Well, we're getting you!"

In early questioning about these incidents, Mr Bossi's lawyers claimed he was covered by parliamentary privilege. Traditionally, Italian politicians have been able to protect themselves from prosecution by laws which, generously interpreted, are on the side of a politician speaking as a politician.

Parliament has 90 days to make up its mind about the requests; yesterday, it emerged they were made on June 27 and July 18. Parliament has before it another request to prosecute him, dating back to comments in 1993 about President Oscar Luigi Scalfaro.

Action has been consistently postponed. If Mr Bossi oversteps himself next month, parliamentary opinion will change.

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**NEWS:** THE AMERICAS

Republican challenger reaps benefits from last week's party convention

# Dole narrows Clinton poll lead

By Jurek Martin in Washington

Mr Bob Dole appears to have met his pre-Republican convention goal of substantially narrowing US president Bill Clinton's large lead in the political opinion polls.

Four surveys now put the gap at 3-11 points, a far cry from the 20-point deficit commonplace before the San Diego gathering and before Mr Dole chose Mr Jack Kemp as his running mate.

But a close analysis of the data, specifically the days on which the polls were taken, suggests that Mr Dole enjoyed his biggest "bounce" last Thursday, when he delivered his acceptance speech, and Friday. Surveys conducted through the weekend suggested the gap might be widening again.

That was the evidence of the three-day New York Times/CBS poll, completed on Sunday, which had the president ahead by 50-39 points. Its Friday polling had the two men in a tie, but Mr Clinton's rating began to pick up over the next two days. Still, the overall result represents a gain of 5 points for Mr Dole and a loss of 6 points for the president, satisfactory enough from a Republican standpoint.

The CNN/USA Today poll, conducted by Gallup from Friday to Sunday, had Mr Dole down by 5 points (51-46): ABC's, taken on Friday and Sunday, had the same margin (49-44): and Newsweek's, taken on Thursday and Friday only, found the two 3 points apart at 48-45.

The presence of Mr Ross Perot of the Reform party appeared marginally to have benefited Mr Clinton in both the New York Times and CNN polls. The first reported 49 per cent for the president, 37 per cent for Mr Dole and 8 per cent for Mr Perot, while the second split 48-41-7.

All polls may be subject to revision in the wake of next week's Democratic party convention in Chicago, from which Mr Clinton will also expect some bounce back.

Democrats have noted that in 1984, when they held their convention first, one poll even had former vice-president Walter Mondale ahead of President Ronald Reagan.

Perhaps the most encouraging news for Mr Dole was the extent to which his tax-cutting economic platform appeared to have grabbed public attention for its ability to bring about "the changes this country needs," as a CNN poll question was phrased. He led Mr Clinton 51-44 per cent in responses, compared with a presidential lead of 48-38 per cent in a survey at the start of the month.

# Greens turn to Nader to fight US election

By Jurek Martin

The US presidential election has acquired another candidate, a man with a national reputation established long before Messrs Bill Clinton, Ross Perot and even Bob Dole had made much of a political mark.

On Monday night in Los Angeles, Mr Ralph Nader, the legendary consumer activist who is now 62 years old, formally accepted the nomination of the Green party – and promised a campaign original in more ways than one.

He said he would pay no attention to the party's generally leftwing platform, would make only "very brief sojourns through a number of states," and would raise no campaign finance – certainly not from his old nemesis, big business – apart from the $5,000 he was prepared to spend from his own pocket. He reckoned he could generate enough free publicity from media interviews to get a message across.

But he sounded more like Mr Perot of the Reform party in saying the "progressive alternative" he was proposing would be "the first stage of the break-up of the two-party duopoly". Democrats and Republicans, he stated, were "totally beholden to Corporate America – and the public be damned."

Ralph Nader: no flattery

He also took some direct potshots at Mr Clinton and Mr Dole. The president, he said, "is too unprincipled ever to lose to Senator Dole. He will never let Dole turn his right flank."

Of the Republican nominee, he said "few legislators in history have sold out more thoroughly, more frequently and more diversely than Senator Dole". He added: "I do not like to engage in flattery. I like to engage in the urgent exhortation of the citizenry."

Mr Nader made his name in the 1960s with his famous exposé of safety defects in the Chevrolet Corvair car and has been a thorn in the flesh of manufacturers ever since. His most recent, but unsuccessful, crusade was against the ratification in 1993 of the North American Free Trade Agreement.

The US Green party is nothing like as visible as some of its European counterparts. It claims a membership only of about 100,000, mostly in environmentally conscious California and the west, and is registered on the presidential ballot in about a dozen states.

Its potential November impact is, therefore, greatest in the largest state, where it has been commanding as much as 5 per cent support in some opinion polls. Should Mr Clinton's large lead over Mr Dole in California narrow, votes for the Green party could be important, since the vast majority would be drawn from the president's ranks.

# Japan mounts Latin America trade offensive

By Emiko Terazono in Tokyo

Mr Ryutaro Hashimoto, Japan's prime minister, arrived in Mexico yesterday for a 10-day tour of Latin America, which Japanese companies believe has great economic potential.

Mr Hashimoto will offer a package of yen-based loans and grants during his visit to Mexico, Chile, Brazil, Peru and Costa Rica to open up a new trade front for Japan's corporations. Tokyo has pumped nearly $60bn in direct investment into the region over the past 14 years and its economic aid has doubled to $1.14bn per year between 1990 and 1995.

Japanese companies consider countries such as Mexico and Brazil as potential markets for their products as well as low-cost production bases for exports to the US. Honda Motor began constructing a passenger car production plant in June in São Paulo, while Toyota Motor announced similar plans earlier this month.

Mr Hashimoto is also likely to seek Latin American support for Japan obtaining a non-permanent seat on the UN Security Council later this year.

In Mexico, the premier is expected to pledge loans worth $940m to help ecological projects, small and medium-sized corporations and exporters.

The release earlier this week of Mr Mamoru Konno, an executive of Sanyo Electric who had been kidnapped in Tijuana, has cleared the way for Mr Hashimoto's visit. After nine days in captivity, Mr Konno was found in the basement of an unoccupied building after Mexican police contacted the kidnappers with a $2m ransom payment.

Mr Hashimoto said it was unlikely the affair would have an adverse effect on Japanese investment in Mexico. However, he is expected during his meeting with Mr Ernesto Zedillo, the Mexican president, to seek assurances over the safety of Japanese employees.

In Brazil he may raise the issue of tariffs on imported Japanese vehicles, which triggered a complaint from Tokyo to the WTO last month.

# Cuba row triggers tit-for-tat expulsion

By Pascal Fletcher in Havana

Cuba is expelling a US diplomat who monitored the activities of anti-government dissidents on the island in what appears to be a warning to the international community that Havana will not tolerate foreign support and encouragement for internal opposition groups.

The US state department said on Monday it was ordering out a Cuban diplomat in retaliation for Havana's decision to revoke the visa of Ms Robin Meyer, an officer at the US Interests Section. Ms Meyer had been criticised by Cuban officials for hosting and organising meetings attended by opponents of Cuba's one-party communist government.

Foreign diplomats noted that Cuba's decision to expel Ms Meyer, which was communicated to Washington last week but only made public on Monday, coincided with President Bill Clinton's appointment on Friday of a new special envoy on Cuba, Mr Stuart Eizenstat, whose task will be to persuade US allies to join a campaign to promote democracy in Cuba.

Mr Eizenstat is expected shortly to visit Canada, the EU and Mexico, which have strongly opposed recent US legislation aimed at curbing foreign investment in Cuba. In its latest enforcement of the Helms-Burton law, the US government said on Monday it was informing executives of the Mexican telecommunications company Grupo Domos that they would be barred from the US unless they withdrew from an investment in Cuba.

The Cuban diplomat ordered out by Washington is Mr José Luis Ponce, who handled press affairs at the Cuban Interests Section.

In recent days Cuba has also called on Washington to honour existing bilateral immigration accords by handing back Cuban citizens who had fled the island illegally.

AMERICAN NEWS DIGEST

# Whitewater partner jailed

Mrs Susan McDougal, a former business partner of President Bill Clinton, was sentenced yesterday to two years in prison for fraud involving the Whitewater real estate venture. A district judge handed down three concurrent 24-month prison terms and an additional three years' probation and ordered Mrs McDougal to pay restitution of $300,000 plus interest to the US small business administration.

Mr James McDougal and Susan, his former wife, were business partners with the president and Hillary Rodham Clinton in the failed Whitewater real estate venture, which lies at the heart of an independent investigation into Mr Clinton's personal and political finances. Mrs McDougal, 41, was convicted in May on four charges relating to a fraudulent $300,000 business loan she was given in 1986.

Mr McDougal was to have been sentenced on Monday but won a temporary reprieve because he is co-operating with prosecutors. *Reuter, Little Rock, Arkansas*

## Black buying power rising

A survey of black households in the US has emphasised their economic clout and pointed to a recovery in spending on big consumer durables last year.

A survey of 3,000 black households, released by Target Market News, a Chicago-based black marketing research company, showed that blacks in the US, if separated from the rest of the country, would have the 16th-largest economy in the world. Personal income for blacks rose to $324bn in 1995 from $304.5bn a year earlier, spending on cars increased by 163 per cent, and purchases of computer hardware and software more than doubled to $697m a year.

Blacks have traditionally spent more on items such as clothing and groceries because of differences in living patterns, but they are now beginning to catch up in other areas and are increasing spending on stock, bonds and securities at a faster rate than whites.

Mr Ken Smikle of Target Market News said the jump could be explained by increased confidence in black middle-class households over the economy and their status in the job market. *Olessia Smotrova, Washington*

## Brazil group plans male Pill

A Brazilian pharmaceuticals company is preparing to launch the world's first contraceptive pill for men. Mr Luiz Pianowski, industrial director at Hebron, yesterday said the company hoped to begin producing 3m of the pills a month from next year, pending health ministry approval.

Mr Pianowski said tests had shown the pill to be 96-98 per cent effective, matching the performance of female birth control pills without affecting the user's hormonal balance.

The drug, to be marketed as Nofertil, is based on gossipol, a substance found in cotton. However, doubts persist about the substance's safety. Dr Timothy Farley of the WHO's human reproduction programme in Geneva said the organisation discontinued research into gossipol in the late 1980s because of its toxic effects on animals and human beings. "We conducted research to attempt to reduce its toxic effects, but we were unable to do so," he said. "We have had no reason to change our opinion." *Jonathan Wheatley, São Paulo*

# Funds slowdown 'behind fall in rand'

By Roger Matthews in Cape Town

The slowdown of investment funds into South Africa is the main reason for the declining value of the rand, Mr Trevor Manuel, finance minister, said yesterday, after the currency hit a new record low against the dollar of R4.59 in overnight trading in New York.

"It is important to stress there is still a positive inflow of funds, but far less than last year," Mr Manuel added. "Although positive, it is insufficient to cover our foreign exchange requirements for imports. That is primarily the difficulty that confronts us now, and is largely responsible for the currency fluctuations."

The Reserve Bank was again active in the market yesterday, helping the rand to recover slightly against the dollar, closing at R4.58 in Johannesburg.

The currency has lost over 20 per cent of its value against the dollar since mid-February, and its continuing weakness has heightened speculation of a further rise in bank rate.

Mr Manuel stressed this was an issue solely for Mr Chris Stals, governor of the Reserve Bank. "Governor Stals and I attach a lot of weight to co-operative management," he said.

"But decisions on interest rates are exclusively the decision of the Reserve Bank. We do not intervene."

Another rise in bank rate, already at 16 per cent, with prime commercial banks' lending rates at 19.5 per cent, would further damage investor confidence at a time when most local economists have been predicting a 1 per cent interest rate fall later in the year.

The minister insisted he would continue to take a long-term view of macroeconomic policy and would not be pressed into short-term measures, such as bringing forward the budget date.

The removal of exchange controls and fiscal discipline, as well as privatisation, were central to government policy, and progress had been made in reaching those objectives, he said.

"By all accounts, our economic fundamentals are sound. We remain on track for 3 per cent growth this year, even though there is a slowdown in the manufacturing sector. Inflation remains fairly firmly under control, despite the depreciation of the rand."

Mr Manuel was encouraged by the unanimous political support given to the government's economic strategy by the national executive of the African National Congress.

Ministers were relieved yesterday that President Nelson Mandela's confirmation that he would quit the ANC presidency next year had no impact on the rand.

# Kazakhs unmoved by the move to Akmola

## Inhabitants are unimpressed by plans for a new capital. Sander Thoenes reports

As a teenager in the 1930s, Mr Ivan Tikhonyuk used to ride the endless steppes around Akmola on horseback. As a grown man, he watched the Communists plough the fields in a rushed attempt to boost grain crops.

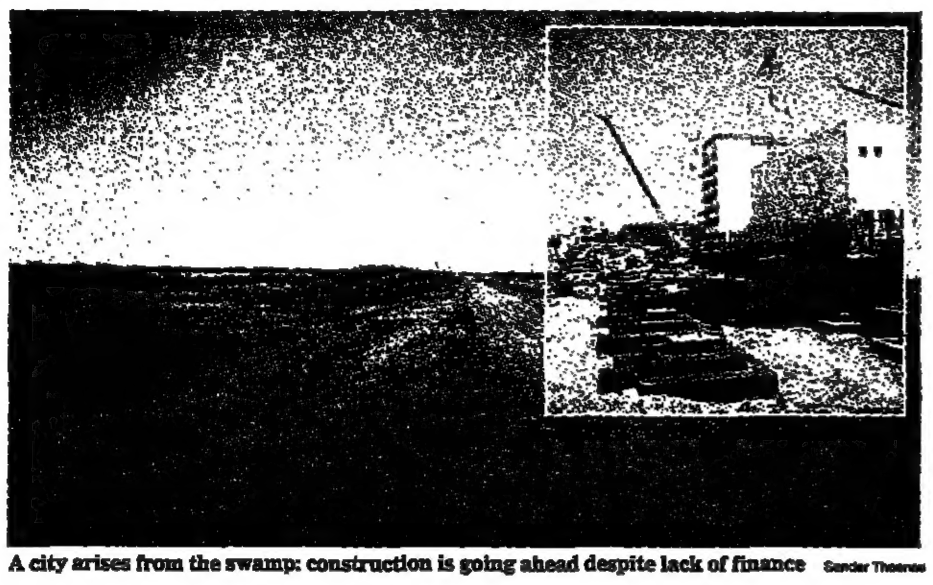
"They got ahead of themselves. They cultivated too much land too quickly, and it was a disaster," he says, his wrinkled chin almost touching the second world war medal on his chest. "Now they're getting ahead of themselves again."

Before the end of next year, Kazakhstan's government is due to abandon the capital of Almaty, in the southeastern corner of this vast country, and cross 1,000km of desert to set up shop in the northern farming town of Akmola.

Amid the marshy, mosquito-ridden fields that stretch behind the run-down houses, a brand new presidential palace, business centre and numerous government offices are due to arise before the end of the decade.

Total costs of this ambitious project, already under construction, have yet to be calculated. While local officials are delighted by the plan, President Nursultan Nazarbayev's critics warn that expenditure could derail tight budget reforms or simply come to naught, much like the Virgin Land campaign of the 1950s.

"It's not a bad idea to make this the capital," Mr Tikhonyuk says. "Almaty is too close to the border and too far from the people. But there is no money now. It needs to be built slowly, for at least 10 years. They want to do it in two years."



A city arises from the swamp: construction is going ahead despite lack of finance Sander Thoenes


Mr Nazarbayev decided last year his government would be better off running Kazakhstan from its heartland than from the smog-filled, earthquake-prone and distant corner of Almaty.

One presidential aide speculates that his government is eager to base itself in northern Kazakhstan, home to millions of Russians, before the nationalists in Moscow make a serious claim on the region. However, others say that Mr Nazarbayev is more worried about an expansionist China, just 300km from Almaty.

The president assures the population of 17m that construction will all be paid out of a New Capital Fund, financed by foreign and domestic investors, in exchange for tax breaks.

But according to Mr Bair Dosmagambetov, in charge of preparing the capital move, the fund holds only about $50m to date – less than it will cost to build the president's office.

"We have a problem with financing," he admits. "We haven't found major foreign sponsors yet. But construction is moving ahead."

Foreign company representatives say the president and his aides have pressed them for donations, often in kind and usually in the final stage of negotiations for a contract. One metal producer was asked to build an eight-storey building. "I told them instead that I could give them a discount if they needed any steel," he says.

One of the few donors has been Okan, a Turkish construction company. It put $3m into the fund before winning tenders to build the city's first western-style hotel and Mr Nazarbayev's summer residence. Both Okan and Naiza, a local construction company hired to build a ministry, have started construction without any guarantee they will get paid.

"This is a big mistake of the president," says Mr Serikbolsyn Abdildin, first secretary of Kazakhstan's Communist party, one of the few vocal opposition movements. "He can't even pay salaries and pensions, and yet he wants to go into history as the president who moved the capital."

Mr Nazarbayev, who has already broken his promise to leave the budget untouched, has now ordered ministries to finance construction of their own offices and staff lodgings. In addition, each province has to finance construction of one apartment building. "That will end up on the shoulders of the taxpayers," says Mr Abdildin. "And all those tax credits for sponsors will mean that these funds will not reach the budget."

For the time being, the government plans to make do with renovations and building a few modest office blocks. Mr Dosmagambetov says he has yet to find funding for housing construction, half of the $500m expected to be spent on the project's first phase.

Western diplomats warn such spending could exacerbate the budget deficit, jeopardising a $450m credit line offered by the IMF on the understanding that costs would be kept below $500m.

Many officials are reluctant to abandon the mild climate, stunning mountains and relative luxury of Almaty for the 40-degree frosts of Akmola. Built on a swamp, Akmola is frequently flooded and muddy even in summer. Amenities are basic: two power stations fail to serve even the town's current 280,000 inhabitants. Many Kazakhs regard the name Akmola, "white tomb", as highly appropriate for a project that risks being quietly buried.

# Nations look to UN as India vetoes N-treaty

By Frances Williams in Geneva

Nations backing a global nuclear test ban treaty intend to take it directly to the United Nations General Assembly for signing, after India yesterday formally vetoed adoption of the draft pact by the Geneva-based UN disarmament conference.

The US and the other declared nuclear powers – Russia, France, Britain and China – say they will support a rescue plan for the treaty, whose fate will be discussed by the disarmament conference tomorrow.

Mr Stephen Ledogar, US disarmament ambassador, yesterday described the Indian veto as "regrettable" and a distortion of the negotiating process. He said: "We are now consulting... how we can get this text to New York for further action. That has to be done promptly."

The treaty's proponents hope to mobilise sponsors for a UN resolution asking the General Assembly in New York to approve the draft treaty without amendment. The accord could then be open for signature as originally intended in September. A less favoured alternative would be to call an international conference specifically to endorse the pact.

Unlike the disarmament conference, which works by consensus and so gives each of its 61 members a veto, the UN General Assembly can approve a resolution by simple majority vote.

However, though few countries support India's hardline stance, a number of non-aligned countries including India's arch-enemy Pakistan dislike the idea of bypassing the disarmament conference altogether.

Pakistan, which like India is believed to be capable of building nuclear weapons, says it will not sign a test ban treaty unless India does.

New Delhi objects to the draft treaty because it does not commit the nuclear powers to full disarmament within a fixed timetable. It also rejects a clause requiring India, along with 43 other states with nuclear power installations, to adhere to the treaty for it to enter into force.

# Buyoya dismisses Burundi top brass

**Burundi's Tutsi military strongman yesterday sacked the country's three most powerful military officers in a move apparently aimed at placating regional powers which have imposed an economic embargo on the new regime, Reuter reports from Bujumbura.**

**A spokesman for Major Pierre Buyoya, who seized power in a bloodless coup on July 25, said the president had sacked chief-of-staff Colonel Jean Bikomagu, head of the gendarmerie Colonel Pascal Simbanduko and Colonel Gedeon Fyiroko, head of the military at the presidential palace. All three are Tutsis and were replaced by Tutsi officers.**

**"With the new changes the president has the right to choose who he works with," the spokesman said.**

**"It's not a question of competence or incompetence. It's just to show that President Buyoya has a free hand," the spokesman added.**

**Analysts said the dismissals of the hardline and powerful officers may be a move by Major Buyoya to appease seven East African nations who cut all economic ties with Burundi following the ousting of civilian Hutu President Sylvestre Ntibantunganya.**



# Clinton signs law renewing GSP scheme

By Nancy Dunne in Washington

President Bill Clinton yesterday signed legislation renewing the Generalised System of Preferences, a programme which allows imports from developing countries to enter the US tariff-free.

Renewal of the GSP scheme was celebrated across the country by small US businesses which depend on duty-free imports. "It was a long time coming, but we're just thrilled it has been renewed," said Ms Laura Baughman, president of The Trade Partnership, the consulting company which led the effort to get the GSP re-authorised.

In Washington, the programme's renewal was barely noticed because it had passed though Congress as a provision in a bill raising the US minimum wage by 90 cents, signed with great fanfare by Mr Clinton on the White House lawn.

White House strategists believe the rise, given to an estimated 10m Americans, will give the president a boost in the opinion polls as he prepares for the Democratic convention next week.

With the minimum wage at a record low in real terms, workers will be getting a rise from $4.25 to $4.75 an hour in October and an increase to $5.15 next year.

The GSP was enacted as a special programme to help countries develop through trade rather than foreign aid. A group of senators last March said its lapse had damaged US credibility and relations with developing countries that had come to rely on the scheme.

In a letter to Mr Bob Dole, the Republican presidential candidate, then majority leader in the Senate, senators warned that failure to renew the programme was having "severe repercussions" in developing countries and "negative foreign policy implications".

The programme has long had bipartisan support, but renewal was delayed because present congressional rules require it be "paid for" by funds allocated in the budget. The scheme could expire again at the end of May 1997, because Congress could only find $500m in the budget to compensate for the tariff revenue.

In the present election campaign, many concerns have focused on business, and a group of congressman recently wrote in a letter to the House Ways and Means Committee that the tax burden which had been imposed on many small companies had forced them to obtain loans and other credit, secured by personal assets, to pay the tariffs.

Clinton: signed with fanfare

Mr Patrick Donovan, import manager of Mainly Baskets, a small company in Atlanta, Georgia, was jubilant on hearing the news the company would no longer have to post bond for its basket imports from Indonesia and the Philippines.

The 18-year-old import wholesale company, with sales of $1m-$5m a year, has had to cut new equipment purchases, failed to make deposits to its pension plan, and cut medical benefits for its nine employees.

"We just managed to find ways to avoid laying people off," Mr Donovan said.

# Chrysler to construct new plant in Brazil

By Haig Simonian, Motor Industry Correspondent

Chrysler, the least international of the "Big Three" US carmakers, took a further step to realise its global ambitions yesterday with a decision to build a new assembly plant in Brazil.

The move, at an undefined site, will reinforce Brazil's growing importance as one of the world's most dynamic vehicle producers and as South America's prime market.

The choice also reflects the impact for foreign carmaker groups of the commercial opportunities presented by the Mercosur free trade zone. Mercosur groups together Brazil, Argentina, Paraguay and Uruguay.

Chrysler will also expand its $100m car plant in Argentina, announced last September, to cope with an expected increase in demand. Together, the Brazilian and additional Argentine investments will cost about $380m.

Chrysler's new Brazilian factory, costing about $315m, will build the Dakota compact pick-up truck, launched this month in the US. Capacity at the plant, which should start production in 1998, will reach 40,000 units a year, but will start at about 12,000 units in its first year.

The Brazilian plant will be accompanied by a new four-cylinder engine facility, probably in the vicinity, to be built by Detroit Diesel, the US diesel engine group partly owned by Mercedes-Benz. Detroit Diesel's Italian VM Motori subsidiary already supplies Chrysler with diesel engines for its European-built sports utility and multi-purpose vehicles.

The new Detroit Diesel factory, which is expected to replicate the modular manufacturing processes developed by VM, will initially supply only Chrysler. However, the company expects sales to expand to other vehicle groups and said it might also manufacture heavier-duty five or six cylinder engines for the region's sizeable heavy lorry industry.

In Argentina, Chrysler will add the Jeep Cherokee sports utility model to the Grand Cherokee which should start production at the new $100m Cordoba plant early next year. Annual output of the two vehicles at Cordoba should start at about 10,000 units and reach 16,000 at full tilt.

The Brazilian and Argentine facilities will help to re-establish Chrysler's growing international manufacturing presence after withdrawing from foreign markets in the 1980s. Foreign sales have climbed steadily since the company re-entered overseas markets in 1987 and amounted to more than 200,000 units last year.

The two plants will consolidate Chrysler's position as one of the world's leading makers of US designed light trucks. These range from utilitarian pick-ups to trendier sports utilities and multi-purpose people carriers. Light trucks also dominate the company's exports, accounting for about 75 per cent of its foreign sales volume.

Chrysler's Brazilian and Argentine investments represent a vote of confidence in the Brazilian vehicle market and the wider economic benefits of the Mercosur.

"Our decision to manufacture in Brazil and expand production in Argentina is based on the favourable economic conditions and future growth prospects we see in the Mercosur," said Mr Bob Eaton, Chrysler's chairman.

In spite of continuing concerns about regional economic volatility and the current downturn in some markets, a number of leading vehicle groups have announced new investments in the two countries this year.

Renault is building a plant to make about 120,000 mid-sized Mégane models a year, while Mercedes-Benz will build a factory to manufacture about 70,000 small A Class batchbacks. Honda and Toyota have also announced plans for lower-volume output at new plants.

Separately in Argentina, Fiat and Chrysler are developing new production facilities, while Ford, General Motors and Volkswagen, the region's leading carmarkers alongside Fiat, are stepping up output in both countries.

# China proposes new Taiwan shipping links

By Tony Walker in Beijing

China announced yesterday new regulations aimed at facilitating direct shipping links across the Taiwan strait, but Taiwanese reaction was non-committal and there seems little prospect of early agreement.

"Of course we are happy to see it accomplished, but would prefer to comment after we have more details," said an official of Taiwan's Ministry of Transportation and Communications.

Beijing proposed that cross-strait traffic be restricted to wholly Chinese-owned or Taiwanese-owned vessels or to those operated by joint ventures between the two countries.

The proposal was seen by western officials as part of continuing "game-playing" in efforts by the two sides to upstage each other diplomatically.

"The regulations are meant to promote cargo and passenger transport between the two sides of the Straits and accelerate the development of direct mail service, trade and air and shipping links across the Straits," the official Xinhua news agency said.

Taiwan suggested last year that direct shipping links be opened using its port of Kaohsiung as the transport hub, but agreement bogged down on sovereignty issues.

China has been pressing for agreement on what it describes as the "three directs" – shipping, air and postal links – but Taiwan is reluctant, fearing that it would be giving away one of its few bargaining chips in dealings with the mainland.

Beijing regards Taiwan as a renegade province and has vowed to secure its return to mainland control. China says it seeks peaceful reunification, but has not ruled out the use of force.

Cross-strait talks were suspended last year by Beijing in protest at the visit to the US by Taiwan's president Lee Teng-hui. There is no sign of talks resuming.

But Taiwanese businessmen, who have invested more than $20bn in the mainland, complain strongly of the additional costs and inconvenience posed by lack of direct links.

Most traffic from Taiwan to China is routed through Hong Kong, but the territory's reversion to Chinese sovereignty at midnight on June 30 next year may oblige Taipei to drop its reluctance to negotiate the "three directs."

In Hong Kong, the Beijing-backed Wen Wei Po newspaper said "conditions for direct shipping are ripe". It said the southeastern cities of Fuzhou and Xiamen would be the first ports opened to direct shipping.

■ China yesterday issued a warning to Australia to think carefully before selling uranium to Taiwan.

Speaking on the eve of a visit to Beijing by Mr Alexander Downer, Australia's foreign minister, a foreign ministry spokesman said: "Uranium is not an ordinary commodity. Exporting uranium to Taiwan is a highly sensitive issue. We express concern about the matter and request concerned countries to act with great care."

Mr Downer said last week Australia was studying whether to sell uranium to the Taiwan Power Co.

# US probe of NEC computer sale irks Japan

By Michiyo Nakamoto in Tokyo

Japan's trade minister yesterday expressed strong concern at the US Commerce Department's decision to launch an anti-dumping probe into the sale of a supercomputer by NEC, the Japanese electronics company, to a US research centre.

"From the point of view of fairness and transparency, I cannot help but express concern at the way the US Congress and the Commerce Department have handled (this affair)," Mr Shunpei Tsukahara, trade minister, said yesterday. "I strongly hope the US government will adequately deal with the investigation."

The minister's criticism was directed at a US Commerce Department decision to launch an anti-dumping investigation into the first sale of a Japanese supercomputer to a US public institution.

The US move came in response to a petition by Cray Research, the leading US supercomputer manufacturer, which has accused NEC of offering to sell the National Centre for Atmospheric Research four Vector supercomputers for the price of one.

NEC, which was poised to become the first Japanese company to provide a supercomputer to a US public institution, reacted calmly to the Commerce Department's decision, which it described as just part of the regular procedure in response to a petition. NEC has insisted that it has not priced its supercomputers unfairly and that it would fight the accusations to the end.

However, the trade ministry, which has watched US moves in connection with the supercomputer deal, has not been quiet about its displeasure.

The move by Congress to pass a bill which is aimed at blocking the sale by NEC, and the intervention of the Commerce Department at an early stage, suggest that the issue has become highly politicised, a Miti official noted.

A Commerce Department warning to the National Science Foundation – which will provide some of the funds for the supercomputer purchase – that NEC was probably selling at less than fair value, even before Cray filed its dumping petition, has triggered criticism of improper intervention. Such moves raise questions about the fairness of the US in dealing with the issue, he said.

The row that has erupted over the supercomputer purchase highlights the extremely political nature of high-technology purchases by government bodies.

US criticism that the Japanese public procurement market was closed to US supercomputers resulted in new guidelines for government procurement in Japan and a substantial rise in foreign-made supercomputer sales. In 1994, five out of 12 supercomputers purchased by Japanese public bodies were foreign-made although the number dropped to two out of 11 last year.

## NEWS: ASIA-PACIFIC

# NZ sells off forests despite opposition

By Terry Hall in Wellington and Samer Iskandar in London

The New Zealand government yesterday finalised the controversial sale of the Forestry Corporation's central North Island forests for NZ$2.02bn (US$1.4bn) to a consortium including the Chinese government's China International Trust and Investment Corporation (Citic). The sale came despite widespread political opposition, including from some of its own MPs.

The sale, which will leave the government NZ$1.6bn better off after repaying the corporation's debt, is likely to be the country's last privatisation.

Citic holds 37.5 per cent of the consortium and already owns forests in the South Island. Other consortium members are Fletcher Challenge (37.5 per cent) and Brierley Investments (25 per cent).

Objectors to the transaction included some of the government's own back-benchers, who felt it was unwise to go ahead with such a controversial sale so close to the October election.

The sale had also been attacked on the grounds that the revenue was not needed, New Zealand being the only OECD country at present running a budget surplus.

Both prime minister Jim Bolger and finance minister Bill Birch say governments should not be in the business of owning forests. A majority of MPs yesterday rallied to this view.

Opinion polls show that up to 67 per cent of voters are opposed to the sale. Two of the main opposition parties, the Alliance and New Zealand First, said they would reverse it. Mr Winston Peters, leader of New Zealand First, told parliament his party would buy back the corporation the day after the election.

The opposition Labour Party criticised the sale's timing during a period of low international forestry prices.

Maori tribes, who claim the forest land under the Treaty of Waitangi, expressed disappointment the government did not sell to their preferred bidder, a consortium led by rival forestry company Carter Holt Harvey.

General political uncertainty in the run-up to the election in October took its toll on the financial markets yesterday. Yields on government bonds and short-term debt have remained stubbornly high, despite a healthy economy.

The three-month rate paid on treasury bills has averaged about 10 per cent in recent months, offering returns of almost 7.5 per cent after adjusting for inflation. "A substantial risk premium is reflected in these prices," one economist said. "It is almost entirely due to political risk."

The Debt Management Office confirmed that, because of the sale, the domestic bond issuance programme for the 1996-97 fiscal year would be halved to NZ$1bn. The remaining cash will help retire foreign debt.

In what is likely to be his election catchcry, Mr Birch said New Zealand would have no net foreign debt, the first time this had happened since 1865.

Mr Mike Andrews, chief executive of Fletcher Challenge's Forestry division, promised that the consortium would create up to 700 jobs in the former state forests. It would directly invest NZ$260m over the next seven years, including setting up a NZ$20m processing plant, he added.

# Sumitomo denies report on copper trades

By Emiko Terazono in Tokyo

Sumitomo Corporation of Japan yesterday denied knowledge of secret copper trades by Mr Yasuo Hamanaka, its former head copper trader, which have led to the company announcing losses of at least $1.8bn .

In response to a report by the Financial Times that Mr Tomiichi Akiyama, Sumitomo's chairman, had been personally notified in 1991 by the London Metals Exchange of trades by Mr Hamanaka, the company said that while it had confirmed its obligations on authorised deals, they had not known of Mr Hamanaka's secret transactions until June 5 this year.

At the end of 1991, users of copper were complaining of the turmoil on the copper market, which traders blamed on Sumitomo and Mr Hamanaka. Mr David King, LME chief executive, sent urgent inquiries to Mr Akiyama, then Sumitomo's president, and Mr Iwao Nishiumi, director and general manager of the company's non-ferrous metals division.

"The letter dated December 6, 1991 sent to us from Mr King of the LME was only a general request to confirm we would be able to meet our contract commitments," said Sumitomo.

Sumitomo said Mr Akiyama had been notified of the request from the LME and Mr Nishiumi replied to the letter, confirming that Sumitomo would be able to meet all its financial obligations and delivery commitments.

Ever since its announcement of $1.8bn in copper trading losses, Sumitomo has maintained that Mr Hamanaka had acted alone and had used the company's name for unauthorised deals. They have claimed that Mr Hamanaka's transactions were concealed in a devious and complex manner and had been impossible to discover.

However, financial institutions through which Mr Hamanaka traded his positions have claimed that his transactions were fully authorised by the company's board members.

Based on such information, some companies in the copper industry are preparing documentation for a class action suit against Sumitomo.

# Bond given three-year jail term

Bond: 'failing health'

Failed Australian businessman Alan Bond was sentenced to three years' jail yesterday for fraud involving the French impressionist painting, La Promenade, Reuter reports from Perth.

In sentencing Bond, Judge Antoinette Kennedy of the Western Australia District Court said that while the jail term was not the maximum 14 years she could impose, it would seem like a life sentence to Bond.

Bond, 58, who became a national hero in 1983 for backing Australia's capture of the America's Cup yachting trophy, had appealed for a non-custodial sentence. His lawyer argued that a jail term could kill him because of his failing health.

Last Friday, Bond was found guilty of improperly using his position as director of his former corporate flagship, Bond Corporation Holdings, to allow his private company to buy Edouard Manet's picture from Bond Corporation for A$2.5m (US$1.9m) when its value was at least A$12m. Bond's Dallhold Investments sold the painting a year later at auction in New York for A$17m.

The Australian Securities Commission, the nation's corporate watchdog, brought four fraud charges against Bond for his 1988 actions.

# Japanese police admit errors over Aum nerve gas case

By Michiyo Nakamoto in Tokyo

In a rare admission of its own failings, Japan's police force yesterday accepted blame for its inability to tackle the Aum Shinrikyo sect's nerve gas attacks which killed 11 and left thousands ill last year.

Its 1996 police white paper, published yesterday, contained unprecedented self-criticism by an institution that has long found it difficult to admit shortcomings and has been widely condemned for failing to apologise for its mistakes.

"The police were perplexed by the use of the nerve gas sarin," the report states.

The police force prides itself on maintaining law and order in one of the safest industrialised societies in the world. It said poor information gathering, lack of scientific expertise and a regionalised policing system contributed to the failure.

The report calls for changes in the law to reform the police so as to equip it better to confront the changing world of crime in Japan.

The report noted that as organised crime expanded, police lack of experience in investigating organised gangs, poor intelligence gathering and a police structure divided along prefectural boundaries prevented effective policing of the Aum outrages, which shattered the nation's faith in its public security.

A lack of expert scientific knowledge contributed to its inability to identify the poison gas used by Aum on Tokyo subway commuters. The report points to a 1994 sarin gas attack in Matsumoto, which killed seven people and hurt 600, as an example of how scientific ignorance and a lack of inside information on the Aum group prevented the police discovering who had carried out the attack before wrongly putting the blame on an innocent victim.

It suggests introducing wider legislation to combat gangs, similar to laws in Europe and the US which let authorities seize unlawfully earned money and pay rewards for information in criminal investigations.

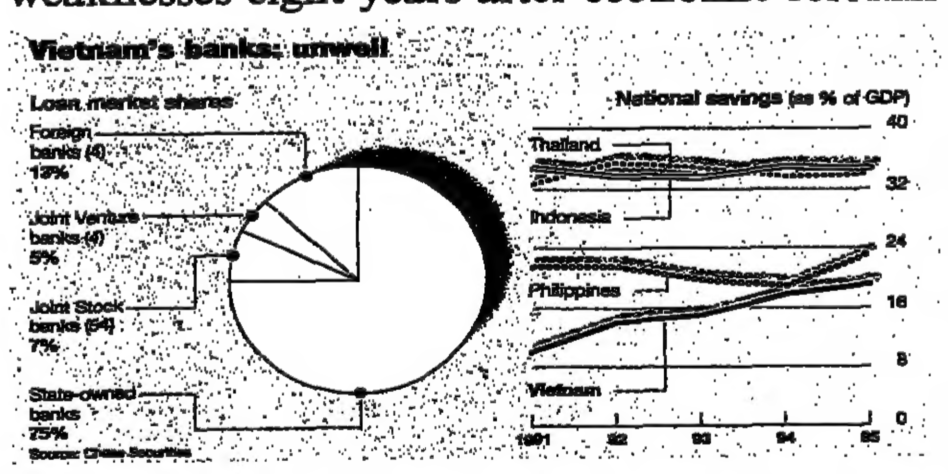
Although unprecedented in its self-criticism, the report is likely to be interpreted as an effort to deflect public criticism for police blunders in investigating Aum crimes.

Critics of the police say not enough effort went into investigating the disappearance and death of Mr Tsutsumi Sakamoto, a lawyer representing families of Aum members, who was allegedly murdered, together with his wife and baby son, by Aum leaders, more than six years ago. It was only last year that police finally connected the family's disappearance to the Aum group, although an Aum badge had been found at the Sakamoto apartment after the family disappeared.

Meanwhile, Mr Yoshiyuki Kono, who was wrongly accused of spreading the poisonous gas in Matsumoto, says the police have never apologised to him directly for their mistake.

# Doubts raised over health of Vietnamese banking

## Jeremy Grant reports on some fundamental weaknesses eight years after economic reforms




When Vietnam's biggest fraud scandal broke last year, there were red faces at Vietcombank, the country's largest state-owned bank. It had lent about $10m to Tamexco, a Ho Chi Minh City-based import-export company affiliated to the Communist party. But the money vanished in a murky $40m corruption case in which local newspapers accused Vietcombank of complicity.

Public revelations of corruption are rare in Vietnam but the Vietcombank allegations highlighted that all is not well with Vietnamese banks, in spite of efforts in the past five years to shake off a culture of subsidy in favour of commercialism.

Last weekend, local newspapers used a central bank report to home in on the poor financial health of the four state-owned banks – Vietcombank, Incombank, Vietnam Bank for Agriculture and Bank for Investment and Development of Vietnam, which were spun off from the central bank in 1988.

In what is being seen as the first public disclosure of their balance sheets, the report revealed "overdue loans" – a catch-all phrase which includes bad debt, a western concept which Hanoi does not recognise – at the banks amounted to 5 per cent of the total 50,000bn dong ($4.5bn) of loans in the market, up by 29 per cent over the previous year.

A separate, confidential central bank report puts the level of overdue loans at 54 joint stock banks at 13 per cent of their portfolios. Those banks are owned by shareholders that include non-state sector companies and have emerged in the last five years of liberalisation.

What proportion of the 5 per cent is non-performing is unclear. But economists say privately the 5 per cent figure understates the case and that the four banks, which have 75 per cent of the lending market, are burdened with huge non-performing loans. "They are probably bankrupt several times over," said one.

Mr Le Dac Cu, Vietcombank's acting general director, says the figure at his bank is 6 per cent, against 4 per cent last year. But he says: "It's not very serious at the moment but it's worth giving it serious attention now."

Some of the banks' problems date back to the 1980s, a decade before the country's *doi moi* reforms and when politically inspired lending was rife. This has left them with bundles of non-performing assets.

Another cause of the problem is a chronic lack of banking expertise, ranging from credit policy and control to risk assessment and slack accounting.

The World Bank last year provided $49m to improve the payments system. But although banking reform is in theory eight years old, foreign bankers see little evidence of serious domestic attempts to tackle the fundamental problems head on.

Stacks of banknotes behind banking counters are a reminder that the banking system is still cash-based.

However, a more immediate problem is trust in the banking system. One consequence is that amounts deposited are low and short-term – typically a few days. Meanwhile, banks lend up to three to six months, creating a big credit imbalance. "The banks' problem is to increase liquidity and reduce that imbalance," said Mr Alexander Economou, a consultant working on a Swiss government-funded technical assistance programme for Eximbank, one of largest of the joint stock banks.

Vietnam knows it urgently needs to get what economists estimate is $2bn in domestic savings from under the mattress and into the banks. It aim is to achieve gross domestic product growth of 9-10 per cent a year for the next five years, but its savings rate is still only 17 per cent of GDP, compared with China's 35 per cent and 33 per cent in Thailand.

Some foreign economists worry that if it takes years to develop public confidence in the banks, this could exacerbate the debt situation and even kill off some of the joint stock banks. Unlike the four state-owned banks, they cannot rely on government guarantees, depending solely on their deposit base to support their loan business.

This, in turn, would be bad news for the country's struggling private sector, which in the case of Eximbank accounts for up to 60 per cent of its loans.

Yet the state banks may be in a stronger position to weather the problems because, paradoxically, they can always rely on the government – which runs counter to efforts to make them self-sufficient. "Some joint stock banks are in better shape than the state banks. You don't get good service from the state-owned banks but at least you're secure," said Mr Phillippe Delhaise, president of Thomson Bankwatch Asia in Hong Kong, a bank rating agency.

The banking system's fragility is bound to cause soul-searching among the 30 or so foreign banks in Vietnam. Many admit their confidence in Vietnamese banks results more from competitive pressure to do deals than belief in sound fundamentals.

"If we are honest, there are certain things we shouldn't be doing," said one European banker. "But it's government risk and if you don't accept the government of Vietnam as a risk then you shouldn't be here at all."

## ASIA-PACIFIC NEWS DIGEST

### Burma jails Suu Kyi aide

Three members of Burma's National League for Democracy (NLD) – including Mr Win Htein, a personal assistant to the league's leader, Ms Aung San Suu Kyi – have been sentenced to seven-year prison terms, NLD officials said. The three were among more than 250 activists arrested last May before a scheduled party congress. Burma's military regime has said those "detained for questioning" at the time have been released.

Charges, trials and sentences are made public in Burma only at the discretion of military authorities, but NLD officials said the three were apparently charged with making a video depicting poverty in farming communities. Mr Win Htein also featured prominently in an Australian Broadcasting Corporation documentary focusing on the repression and harassment suffered by democracy activists in Burma. *Ted Bardacke, Bangkok*

### Thai PM faces censure vote

The Thai parliament will debate a censure motion against prime minister Banharn Silpa-archa next month. The motion accuses Mr Banharn of lack of leadership and says: "He has abused his duty and turned a blind eye to corruption... causing damage to the country." Mr Banharn yesterday scuttled speculation that he might try to cling to power before the debate either by resigning and forming a new coalition or by dissolving parliament.

Leaders of three coalition parties, New Aspiration, Nam Thai and Mun Chon, as well as factions within Mr Banharn's own Chart Thai party, have refused to say whether they will back the prime minister in the September 11 debate. "We wouldn't vote for him even if the party resolved that we do. Otherwise, how could we face our constituents?" said University Affairs Minister Boonchu Trithong, a member of Chart Thai's rebellious Therd Thai faction. *Ted Bardacke, Bangkok*

### Bangladesh urged to reform

A World Bank report published yesterday said Bangladesh could not afford to postpone reforms needed to achieve rapid growth and alleviate poverty.

The report, to be submitted to an aid group meeting in Paris on September 10-11, also warned the government that foreign aid for Bangladesh would be linked to a clear-cut commitment to reforms and radical improvement in the quality of public spending. The government has asked the donor group for $2bn for this year for specific infrastructure projects.

"Given the increasing global demand for concessional foreign aid and uncertain future supply of grant money, pushing forward with the reform programme, and sustained improvements in the quality of public expenditures would be essential for Bangladesh to assure the inflow of needed aid," the report said. *Kasra Naji, Dhaka*

### Pakistani air force joins bid

Pakistan's plans to privatise Pakistan Telecommunications Corporation were boosted yesterday when a large business enterprise announced it would join a new consortium to buy 26 per cent of the shares and to take over its management. The Shaheen Foundation, a business group backed by the Pakistan air force and devoted to welfare of former air force personnel, said it would join the Setdco group of Indonesia and Dutch PTT Telecom to bid for the group. *Farhan Bokhari, Islamabad*

# Banks warn of Emu damage to City

By Gillian Tett, Economics Correspondent

Non-UK banks in London have warned the government that Britain's right to opt out of European monetary union is damaging the City as a financial centre.

In a letter to the UK Treasury, the Foreign Banks and Securities Houses Association has called for a decision on Britain's participation in Emu, arguing that the uncertainty is harming their members' ability to plan.

The warning from the association, which represents 180 financial institutions in London, comes amid growing unease that the City's preparations for Emu are being undermined by the political uncertainty.

The Corporation of London, the local authority for the City, warned yesterday that urgent action was needed to prevent London's competitive position as a financial centre being undermined by Paris and Frankfurt.

Mr Michael Cassidy, the corporation's chairman of policy and resources, argued that the UK's poor "tactics" were undermining London's standing. "The signature of Paris and Frankfurt appears to be that they are more politically astute than London," he warned.

He also argued that the City's preparations for Emu were being threatened by a lack of co-ordination. "There is a bit of a vacuum – people are talking about Emu and preparing for it, but at the moment it is in a disparate fashion."

The City's unease has been fuelled in recent weeks by a flurry of preparations in financial centres such as Paris and Frankfurt.

In London, the Bank of England is consulting the City over Emu and plans to publish its next report on these preparations in September. Meanwhile, the Treasury has recently written to a series of industry associations asking them about the competitive problems created by Emu.

But in contrast to Paris and Frankfurt, the Bank of England and Treasury have been reluctant to take a visible role in the preparations because of the broader uncertainties over the UK's opt-out clause from Emu.

Mr Cassidy said that the corporation was reluctant to play any co-ordinating role. However, it plans to start a campaign to protect the City's financial interests from discrimination from other European Union countries.

In particular, it wants to ensure that single market legislation is upheld in the EU.

# Appointments to Lords court controversy

By Our Political Staff

Mr Swraj Paul, the businessman, Mr Maurice Saatchi, the advertising executive and architect Sir Richard Rogers were among 14 "working peers" appointed yesterday by Mr John Major, the prime minister.

Mr Paul, aged 65, was once a close confidant of Indira Gandhi, the late Indian prime minister. He is now chairman and owner of the engineering group Caparo, which has given £113,000 to the opposition Labour party and its associated organisations in the past three years.

A member of a powerful Indian industrial family, Mr Paul arrived in the UK in 1966, to get medical treatment for his young daughter who subsequently died.

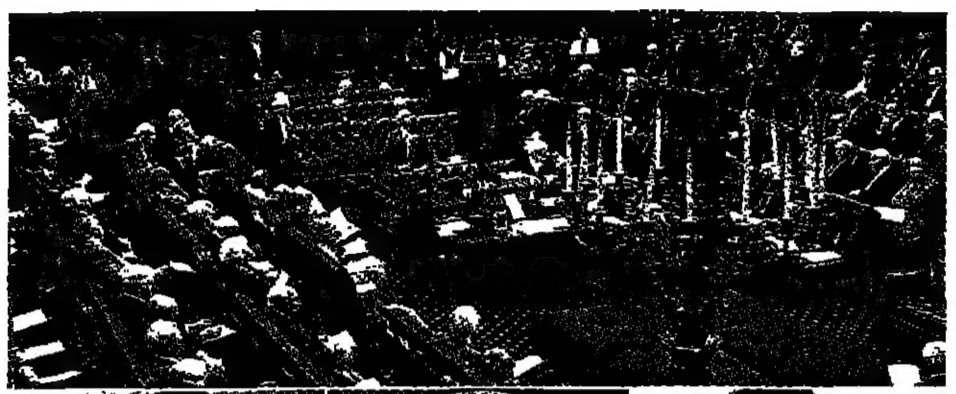
He stayed, setting up Caparo and building it into an international steel and engineering group with 4,000 employees.

Mr Saatchi, is chairman of advertising group M&C Saatchi, having been ousted from Saatchi & Saatchi, now known as Cordiant, at the beginning of last year. Sir Richard designed the Pompidou Centre in Paris and the London headquarters of the Lloyd's insurance market.

All three are now entitled to sit in the House of Lords, the unelected upper House of Parliament.

Appointments as "working peers" are reserved for distinguished citizens who would not be honoured for political services. That distinguishes them from life peers such as Baroness Thatcher, Mr Major's predecessor as prime minister, and the hereditary dukes, earls and other members of the aristocracy who have inherited their titles.

The honouring of Mr Saatchi and of Mr Peter Gummer, a media businessman who is a close adviser of the prime minister on the Tories' general election strategy, was attacked by the Labour party. Mr Saatchi, who said yesterday that he was "profoundly honoured", has worked on every Tory general election campaign since 1979.



(From left) Sir Richard, Swraj Paul and Maurice Saatchi will 'work' in the House of Lords

However Labour also courted controversy, with the disclosure that apeerage is going to one of its most reliable corporate donors, Mr Paul. Labour has consistently attacked the Tories for allegedly rewarding donors with knighthoods and peerages, but it defended Mr Blair's nomination of Mr Paul for a peerage on the basis that he was "by no means our biggest donor".

Mr Frank Dobson, the Labour party's environment minister, dubbed Mr Gummer and Mr Saatchi "lords of the lies". Mr Gummer is the brother of Mr John Gummer, chief environment minister in the Conservative government.

Their peerages took "the Tory party and the peerage system to new depths", Mr Dobson complained.

Mr Peter Gummer is chairman and founder of Shandwick, one of the world's biggest public relations groups.

A peerage is also going to another of the prime minister's conspicuously loyal supporters from the business world, Sir Ian MacLaurin, chairman of supermarket group Tesco.

# Premier 'doubted beef ban timetable'

By Alison Maitland in London

Mr John Major, the prime minister, admitted privately a month ago that his timetable for lifting the beef export ban was unlikely to be met, a senior National Farmers' Union official claimed yesterday.

Mr Major told farmers' leaders in south-west England on July 19 that the November timetable was "pretty speculative", said Mr Anthony Gibson, NFU south-west regional director.

The prime minister told the House of Commons after the European Union summit in Florence in June that almost all elements of the EU beef export ban could be lifted by November. The government has stuck by the timetable ever since, although one minister described it at the time as "a massive hostage to fortune".

Mr Gibson said Mr Major was asked at the meeting in Falmouth how realistic the November timetable was. The prime minister replied: "If we could meet that timetable, I would be very pleased, but I think it will take longer."

Downing Street yesterday declined to comment on the Falmouth meeting but stood by Mr Major's target. "The time to assess achievements against targets is at the time in question," said an official.

Meanwhile, farmers' leaders and abattoir groups believe the backlog of cattle over 30 months which have still to be taken out of the food chain and destroyed is much larger than the government estimate of 150,000 cattle. Some say it may not be cleared until the new year – not by late October or early November as the government hopes.

● Sir David Naish, president of NFU, said he was worried about consumer confidence after a coroner's decision on Monday that a young man died of Creutzfeldt-Jakob disease probably because he ate a contaminated beef product before 1990. The Meat and Livestock Commission said Mr Geoffrey Burt, the coroner, had "gone way beyond the scientific facts".

# Young people shunning unions on work problems

By Richard Donkin in London

Trade unions are losing their appeal for young people, who no longer see them as a source of help when they have problems at work, according to a report published today.

The report, from a survey of attitudes to work among 1,000 people across the UK, was carried out by Global Futures, an independent research institute. It says unions have become marginal to workplace life.

People were three times as likely to discuss their work problems with a manager as with union representatives, it says.

For younger employees unions are becoming even less relevant. Only 2 per cent of those aged under 25 questioned felt that union officials could solve their problems.

Mr Alan Hudson, one of the researchers, said that a period of union unrest like the 1978-79 "winter of discontent", which preceded Mrs Margaret Thatcher's defeat of the then Labour government, could not happen in the 1990s. Unions, he said, had become reluctant to take collective action against employers.

Trade union membership in the UK has fallen from 12m at its peak in 1979 to just under 7m today.

However, the report found that jobs had become increasingly onerous for working people. Employees were willing to fill in for absent colleagues or work through lunch breaks. Only 1 per cent of those questioned said they would object to being given extra job responsibility. Greater responsibility, however, had not created a generation of happy workers. People had become preoccupied with training and education as a means of survival at work but no longer viewed their job as a way to achieve their personal aspirations.

● A £6m a year scheme aimed at helping up to 80,000 long-term unemployed find work by improving their job-seeking skills was launched by the government yesterday as part of its evolving national strategy to move people off welfare and into work.

Called Jobsearch Plus, the programme will provide people who have been out of work for three months or more with a three-day seminar with the employment service.

# Hardline Names criticise Lloyd's

By Ralph Atkins, Insurance Correspondent

Lloyd's of London faces criticism from some Names for failing to provide an irrevocable guarantee that those ruined by the insurance market's losses since the late 1980s will always be protected financially.

The concern follows a decision by Lloyd's not to capitalise a support scheme it proposes as part of its 3.2bn ($4.96bn) out-of-court settlement offer to loss-making and litigating Names – individuals whose assets have traditionally supported the insurance market. Instead the "income and housing" scheme will be funded from the market's revenues and the amount of individual help will be reviewed annually.

The settlement offer is part of the recovery plan Lloyd's is seeking to implement this month.

Mr Christopher Stockwell, deputy chairman of the Lloyd's Defence Shield, representing hardline Names, said if those running the market in the future decided to replace the existing central organisation, undertakings made to lossmaking Names will become "meaningless".

Last night his criticism was dismissed by the moderate Association of Lloyd's Members, which said any scheme would have depended on financing from the future Lloyd's market. The ALM emphasised the importance of Names accepting the settlement offer by the August 28 deadline. Without the recovery plan, Lloyd's is likely to fail regulators' solvency tests.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 21.08.96: Pool purchase price £/MWh | Final Prices for Trading on 24.07.96: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 12.75 | 12.32 | 14.03 |
| 0100 | 9.05 | 9.00 | 9.00 |
| 0130 | 9.05 | 9.00 | 9.00 |
| 0200 | 9.05 | 9.00 | 9.00 |
| 0230 | 9.05 | 9.00 | 9.00 |
| 0300 | 9.05 | 9.00 | 9.00 |
| 0330 | 9.06 | 9.00 | 9.00 |
| 0400 | 9.06 | 9.00 | 9.00 |
| 0430 | 9.06 | 9.00 | 9.00 |
| 0500 | 9.06 | 9.00 | 9.00 |
| 0530 | 9.08 | 11.57 | 13.28 |
| 0600 | 9.08 | 11.57 | 13.28 |
| 0630 | 9.05 | 11.57 | 13.28 |
| 0700 | 12.97 | 16.45 | 18.16 |
| 0730 | 15.47 | 16.45 | 18.16 |
| 0800 | 18.16 | 16.55 | 18.28 |
| 0830 | 26.98 | 19.54 | 21.35 |
| 0900 | 68.09 | 31.85 | 33.92 |
| 0930 | 89.26 | 32.98 | 35.10 |
| 1000 | 109.89 | 33.57 | 35.77 |
| 1030 | 123.59 | 33.50 | 35.89 |
| 1100 | 148.27 | 26.08 | 28.29 |
| 1130 | 164.85 | 34.13 | 36.43 |
| 1200 | 173.68 | 48.89 | 51.08 |
| 1230 | 165.91 | 48.44 | 50.77 |
| 1300 | 144.36 | 47.38 | 49.54 |
| 1330 | 98.85 | 32.17 | 34.16 |
| 1400 | 77.51 | 20.00 | 21.88 |
| 1430 | 46.10 | 19.78 | 21.62 |
| 1500 | 42.07 | 17.84 | 19.65 |
| 1530 | 38.76 | 17.85 | 19.68 |
| 1600 | 42.01 | 18.05 | 19.93 |
| 1630 | 58.21 | 24.45 | 26.37 |
| 1700 | 67.54 | 24.67 | 26.63 |
| 1730 | 49.36 | 32.57 | 34.48 |
| 1800 | 29.49 | 32.10 | 33.93 |
| 1830 | 20.28 | 17.40 | 19.14 |
| 1900 | 17.03 | 17.27 | 18.98 |
| 1930 | 16.03 | 17.14 | 18.84 |
| 2000 | 9.26 | 16.45 | 18.16 |
| 2030 | 19.89 | 16.28 | 17.98 |
| 2100 | 20.89 | 16.28 | 17.98 |
| 2130 | 34.72 | 16.28 | 17.98 |
| 2200 | 20.36 | 31.47 | 33.18 |
| 2230 | 15.79 | 31.47 | 33.18 |
| 2300 | 12.97 | 24.02 | 25.73 |
| 2330 | 12.97 | 16.28 | 17.98 |
| 2400 | 12.91 | 16.28 | 17.98 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.50/MWh becomes 1.850p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-two days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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# More pension funds opt to switch managers

By John Gapper, Banking Editor

Pension funds are becoming increasingly willing to change fund managers because of their sensitivity to how well their assets are being managed, according to a survey by PDFM, the fund-management arm of Union Bank of Switzerland.

The annual survey of 400 of the UK's largest pension funds found that 24 per cent had ended contracts with fund managers during the year, compared with 18 per cent the previous year, because of regular reviews of managers' performance. The subsidiaries of US and Canadian companies were active changers of managers. Of these pension funds, 37 per cent changed one or more managers during 1995, indicating that US firms are leading the way in such changes.

Pension funds have become more sensitive to how well their assets are managed to provide returns used to fund pensions and benefits. This is partly because of the growth in the monitoring of managers' performance by consultants.

The survey also found that pension funds have become more likely to vote on corporate governance of companies in which they invest, rather than leaving it to managers. The trend reverses an earlier drift away from participation.

Some 19 per cent of funds – almost entirely drawn from the largest funds of more than £200m ($312m) – said the trustees retained voting rights. This figure was up from 15 per cent in 1994, and down from 21 per cent in 1993.

The proportion of funds naming balance management by an external manager – where the manager selects the allocation of cash across a range of assets – as their principal form of investment remained at 74 per cent. However, the number of funds using specialised management, in which managers are selected for expertise in a particular class of investment, rose for both bond and equity management.

There was a continuing decline in the use of "aggressive" managers who seek high returns at relatively high levels of risk, particularly for portfolios of UK equities. This has halved to 22 per cent since 1993.

## UK NEWS DIGEST

# Police re-route N Ireland march

The Royal Ulster Constabulary – the Northern Ireland police – has re-routed a Protestant march by the Black Preceptory, planned for this weekend, away from the largely Roman Catholic Lower Ormeau road in south Belfast in an attempt to head off nationalist protests.

The Black Preceptory is smaller and less vocal than the Orange Order and often seen as its senior offshoot. Many men belong to both bodies. The move, which follows similar actions to divert an Apprentice Boys' parade from the area 10 days ago, comes amid continuing tension over the issue of disputed marches by Protestant groups.

*John Murray Brown, Dublin*

■ ECONOMY

### Buoyant picture reaffirmed

A buoyant picture of robust consumer-led growth backed by a steady recovery in the housing market was confirmed yesterday after figures showed near record borrowing by consumers and mortgage lending at a four-year high. But a surprisingly large fall in UK money supply growth to a level within the government's monitoring range for the first time since September last year held out the prospect of a further cut in UK interest rates.

Short sterling futures contracts traded in London rose only slightly in reaction to the data, suggesting little change in investors' interest rate expectations. UK government bond, or gilts, futures closed about an eighth of a point lower. The Bank of England this month singled out the recent rapid growth in M4, the broad measure of money supply, as "incompatible" with the chancellor of the exchequer's inflation target of 2.5 per cent in the long run.

*Graham Bowley and George Graham*

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■ NUCLEAR SAFETY

### State-owned company faces courts

British Nuclear Fuels is to be prosecuted by the Environment Agency for allegedly failing to keep in good repair a pipeline bridge used to transport low-level radioactive waste from Sellafield, in the north-west of England to the Irish Sea. BNFL, which operates the Sellafield nuclear fuel reprocessing plant, said yesterday that a refurbishment programme was under way to address the problem but declined to comment further. The state-owned company has been fined half a dozen times over the past decade for various breaches of nuclear safety and environmental regulations.

*Leyla Boulton*

■ ELECTRICITY COMPETITION

### Consumer groups warn on delay

Electricity consumer groups yesterday warned against any delay in meeting the government's target for introducing full competition to the domestic market in 1998.

The warning from the Electricity Consumers Committees, follows a study for the regional electricity companies which recommends a phased introduction of reforms that could delay full competition by up to 18 months beyond the April 1998 target date.

*Robert Corzine*

■ ENGINEERING

### Preussag offshoot wins contract

Engineering company Noell Whessoe, part of the German Preussag group, has won a £32m ($50m) contract from Bechtel Inc to build a liquid natural gas storage facility as part of a LNG export facility at Point Fortin, Trinidad for Atlantic LGN Company of Trinidad and Tobago.

*Chris Tighe, Newcastle*

■ TOURISM

**Scotland: visitors' likes and dislikes**

| | Visitors from: Western Europe % | North America % | All non-UK % | England % |
|---|---|---|---|---|
| **Attractive features** | | | | |
| Scenery | 83 | 90 | 86 | 71 |
| Friendly people | 73 | 76 | 74 | 56 |
| Peace and quiet | 60 | 34 | 48 | 59 |
| Range/quality of accommodation | 26 | 43 | 34 | 47 |
| Good food/drink | 16 | 44 | 28 | 41 |
| Historic sites | 70 | 77 | 73 | 40 |
| **Unattractive features** | | | | |
| Poor weather | 39 | 26 | 33 | 19 |
| Poor food | 8 | 4 | 6 | 1 |
| Poor accommodation | 7 | 5 | 6 | 4 |

Source: Scottish Tourist Board

### Holidays overcast by weather

Scotland's rainy, grey and cool weather was the most unattractive thing about holidaying in the country for a substantial number of visitors from overseas and England, according to Scottish Tourist Board surveys.

Both groups said that the Scottish scenery was the most attractive aspect of their trips. But while overseas tourists gave a high rating to "the friendly people", English visitors ranked them below the category of "peace and quiet". Overseas visitors particularly liked castles, churches, museums and sites of historic interest.

The range and quality of accommodation scored relatively modestly for both overseas and English tourists, as did good food and drink. However, few overseas visitors said that poor quality food and poor quality accommodation were unattractive features, and English visitors were even less inclined to rate them poorly. Although the lack of wet-weather facilities bothered some overseas visitors it appears to have hardly mattered to most English tourists.

*James Buxton, Edinburgh*

# Industrial logic shapes success of ceramics joint venture

## Culture clashes between Cookson and Johnson Matthey management have failed to undermine their partnership

Cookson, the industrial materials group, and Johnson Matthey, the precious metals and engineering technology company, were so pleased with their ceramics joint venture in 1994 that they contemplated proceeding to a full-scale merger. But while Cookson Matthey Ceramics (CMC) may have proved a happy partnership, the merger talks collapsed over failure to reach agreement on valuation and price.

The attempt showed up deep differences in management style and culture. The industrial logic behind the joint venture has, however, overcome the tension. Both continue to see the benefits of combining Cookson's ceramics supplies and minerals businesses with Johnson Matthey's colour and print division. The product ranges were complementary and savings could be made by rationalising UK plant and by joint marketing in areas such as Asia and the Pacific Rim.

So far, so good. Since the formation of the joint venture, profits and sales have exceeded expectations. Johnson Matthey, which derived profits of £11.3m from its colour and print division in the year before the merger, last year enjoyed gains of £23.8m ($37.12m) from its 50 per cent stake in Cookson Matthey Ceramics.

Sales from its share of the business rose from £125.7m in 1994 to £156.7m last year, its first full year. Although Cookson's accounts do not strip out contributions from CMC, profits in its ceramics division last year rose £34.5m to £55m on increased sales of £440.3m (£368.5m).

Mr Chris Clark, the Johnson Matthey-nominated chief executive of CMC, said the results proved that the alliance was close to becoming the world's leading manufacturer of preparations for tiles, ceramic tableware, sanitaryware, pigments and the precious metals industry.

"It has developed a culture of its own which is a balance of the two parents," he adds. That culture is a hybrid of the sales-driven mentality at Cookson and Johnson Matthey's more conservative return-on-assets approach.

Mr Stephen Howard, chief executive of Cookson's ceramics division, admits: "We are very motivated by sales and we emphasise it more than Johnson Matthey. Our stated aim is to create a business with sustainable top line sales growth and margin improvement."

US-born Mr Howard says Cookson has adopted a more North American approach, and Mr Clark agrees. Lighting a large cigar in Johnson Matthey's Trafalgar Square offices in London, he says: "We write papers, they give presentations. They are almost obsessive about sales, we aren't."

Nevertheless, such differences have been easily accommodated, while strong demand for tiles and glazes has pushed up profits. But some analysts believe the relationship could be strained by a slowdown in sales.

Both companies want to avoid such a scenario by expanding rapidly into Asia and Latin America, where rising demand is expected to offset slowing orders in continental Europe.

In the past year, tile demand has slipped in the mature markets of southern Europe, while sales of Perlite – a material used for thermal insulation – have been hit by volatile conditions in the building industry.

The potential damage has been minimised by rising prices for zircon, the glazing product which came from the Cookson portfolio. Mr Howard says if Cookson had known how fast the zircon price was going to rise, it might have kept it out of the joint venture.

But, he adds, the two "are no longer comparing which of their businesses are doing better; we are both going for organic growth".

Mr Howard believes the joint venture will survive because neither party wants to withdraw from a highly profitable sector.

At Johnson Matthey, Mr Clark is not so definite. He predicts that if the joint venture unravels, it will probably do so because one side wants to raise cash to fund an acquisition elsewhere.

Even though Johnson Matthey is busy developing its electronic materials businesses, it says CMC remains central to its plans.

The two companies, moreover, have drawn up a complex agreement to deter them from jumping ship. In the first 10 years of the joint venture, there are only three "windows" in which either side can sell; even then, their partner has first refusal on the stake.

"At some price we would be sellers," Mr Howard says. "But I doubt that Johnson Matthey could put forward a number that would be attractive to us." That, he claims, means CMC will enjoy a longer life than most joint ventures. "There is no timetable in which we think this thing will fall apart."

**Tim Burt**

هكذا من الاهل

Ecological clean-ups on the US east coast had some unforeseen effects, writes **Victoria Griffith**

# Muddy waters

At 5:10 on an August morning, with the skyscrapers of Boston's financial district forming a backdrop to the rose-hued waters, Gale "Skip" Ryan hauls the first lobster trap of the day on to his boat. "Clean," he scowls.

He is not referring to the fact that the trap is empty – although it is – but to the trap itself. "These things used to be covered with scum," explains Ryan, whose lined face testifies to his 30 years in the lobstering business. "Now this place is too clean," he says, peering into what seem still murky waters to an unseasoned observer.

The diminishing lobster catches of the increasingly clean Boston Harbour illustrate the complex relationship between the environment and the US fishing industry. One theory is that lobsters, as scavengers, tend to gather where there is a high level of organic material. Yet a $6bn (£3.8bn) pollution amelioration programme for Boston's ocean waters means that less organic waste is around. "You know where we used to be able to find a lot of lobsters," asks Ryan rhetorically. "Around outflows from the sewage plants."

The failure of commercial fisheries to recuperate in newly clean waters in the US is a source of puzzlement and frustration to environmentalists, who have long espoused the financial, as well as ecological, benefits of anti-pollution efforts.

The clean-up of lake, river and off-shore areas around the country has already made an enormous difference to the quality of water in Chesapeake Bay, the Great Lakes and the Hudson River, as well as Boston Harbour.

Even a casual observer can see the impact. Visibility in Lake Erie, for instance, has grown to 30ft from just 1ft-2ft in the early 1970s. Shad have returned to the Hudson River Basin and seals and dolphins have come back to the Boston Harbour. Understandably, many ecologists hoped these improvements would translate to a boon for commercial fisheries, in dire straits because of years of over-fishing and new government regulations.

Yet for reasons marine biologists do not completely understand, environmental clean-up has had little impact on the industry. "I wish I could tell you that we have seen a big boost in commercial fishing catches with the improvement in water quality," says Peter Shelley, a lawyer at the Conservation Law Foundation, an environmental agency. "But the truth is, we haven't."


The lack of success may be due to the complexity of marine and freshwater biosystems. While most aquatic life prefers pristine conditions, a few species do better with a little waste in the water. "Some pollutants can mimic natural processes and provide food to the fish," says Robert Kendall, director of publications for the American Fisheries Society.

Pollution can also help certain types of fish by killing off their predators, or providing the dark conditions in which some species thrive. Improving clarity in the Great Lakes, for instance, has forced the light-sensitive walleye to move to deeper areas.

Even fish that prefer clean water may not return when the pollution disappears. Fish have a memory. Popular commercial species such as salmon and cod return to spawn where they hatched, so that once a population has been wiped out of a certain area, it may take decades to recover.

Re-introduction has yielded little success in speeding up that process. Despite a $200m effort to restore Atlantic salmon to the Connecticut River and a programme to bring Pacific salmon back to the Columbia River, the fish have stubbornly refused to thrive where the marine biologists release them.

Subtleties of the food chain and the marine environment mean that even if fish repopulate, they may not be the sort fishermen were hoping for. The 25-year-old clean-up of the Great Lakes, for instance, has boosted invaders such as alewives and white perch, putting pressure on the native populations of trout and white fish to assert themselves.

Even the dramatic and swift return of striped bass to the US Atlantic seaboard over the past few years has provided little encouragement for ecologists. While some marine biologists credit the clean-up of the Chesapeake Bay for the recovery of a species that had nearly been wiped out by the late 1980s, others disagree. "I'm not convinced environmental improvements had anything to do with it," says David Correll, director of the Environmental Research Centre at the Smithsonian Institution in DC. "We can probably put it down to a complete ban on commercial fishing of the species, and climatic factors."

Despite the problems, marine biologists and ecologists are not yet ready to give up on anti-pollution crusades. They point to one of the biggest beneficiaries of the clean-up of the Atlantic seaboard: clamming. Since clams are sensitive to contamination and are often eaten raw, clam beds are closed at the first sign of a problem.

The re-opening of beds up and down the coast therefore implies a tangible, if small, benefit from anti-pollution efforts.

Ecologists also hail an impact in the decline in diseases such as fin rot and liver ulcers in close-to-shore populations. The healthier environment, they argue, will help fishermen market their products and guard against disastrous food-poisoning episodes.

While the short-term benefits may be frustratingly small, ecologists say the long-term cost of putting up with pollution is too high. "Fish haven't come back the way we wanted or expected, but if we had let things go on the way they were, we would not be fishing here at all," says Robert Graham, president of the Ontario Fish Producers' Association.

Lobsterman Ryan agrees that giving up on anti-pollution programmes would probably have a disastrous long-term impact on the fishing industry. "Everyone wants clean water," he says. "But some days, you miss that sewage."

# A valley brought back to life

**Graham Mole** tells the story of one man's 25-year mission to save a Spanish river

It took 25 years of determination and diplomacy, but judge Theodore Sabras has managed to save a river – or part of it, at least – from over-fishing and to boost the economy of its valley.

The river Najerilla is in the Rioja region of Spain, world famous for its wine, but known to the people of the area for its fishing.

For centuries the trout in its 20-mile valley had been ruthlessly exploited by the locals. When hotels in nearby Logrono asked for 150 trout they got them the next day. There was no thought for the impact on the stream and poaching was a way of life.

"The river was being killed," says Sabras. "All I could do was to fight for my river and hope it would encourage others to do the same for theirs."

On the plains there are fertile fields for crops, the vines flourished in the sun and the world wanted its wine.

But in the mountain valley, a few goats and sheep graze, and little grows in the sparse soil. What grass there is on the steep hillsides must be scythed by hand.

So the river's trout, with a seemingly boundless capacity for repopulation, were a lifeline when Sabras began his campaign in the early 1970s.

Officialdom, too, endangered the river. That was based in Logrono, 60km away. Now it is an hour's drive, but then it was too remote for supervision. The administrators, keen to get as much money as possible, issued licences to as many people as possible. There were few conditions, no limits on catches, and no thought of restocking.

Sabras realised this could not last. Water was being taken in increasing quantities from the river for agriculture and the number of anglers just kept on growing.

But the administrators were the people who managed all the water in Spain, all owned by the state. They were not about to change their ways or relinquish their power. Nor were the locals happy to see any changes. For them it was today's income.

Says Sabras: "I felt I had to repay nature for the favours she has showered on us here. She gave us such beauty. We couldn't just throw it away."

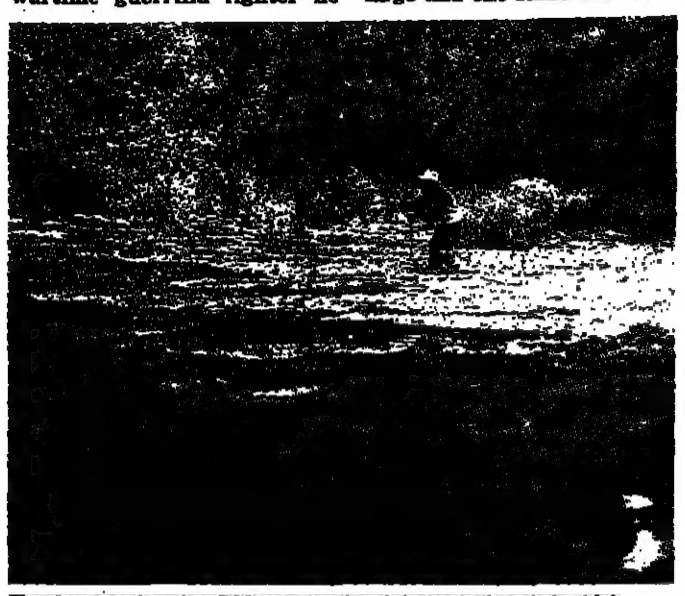
He commissioned research into both the problems and the potential of the area, then lobbied politicians. Almost like a wartime guerrilla fighter he formed a partisan group. He hand-picked people for important positions and gave them each specific tasks.

The opposition was fierce. Banner-waving locals held protest demonstrations and marched on the local town hall, led by the mayor of one of the valley's villages. Sabras realised the only solution was to wrest control from the state. And this was in the days of Franco and dictatorship.

Delaying tactics from threatened officials meant it took years to make even the slightest progress. But now the local hunting and fishing society of which he is president has won a 10-year contract to manage just over 13 miles of river in the valley on behalf of the state. It is, in effect, a privatisation of nationalised water.

The mayor who led the protests runs the pub in the middle of one of the best fishing stretches; two notorious poachers are now guards.

Now Sabras wants a management agreement for the entire river system, including one large and one small lake at the head of the river. Longer term he wants areas for handicapped anglers and a school for young fishermen.



The river now boasts wild brown trout and the water is safe to drink

If all Sabras's ideas are adopted, the river will then attract high-spending foreign fishermen. He also wants to make it simpler for foreigners to get a fishing licence.

It is worth the effort. In June the valley is ablaze with flowers, alive with birdsong. The river has a quality of limpid clarity and is safe to drink.

It boasts wild brown trout of up to 8lbs and marine biologists investigating the bottom of a large dam found a trout of an estimated 40lbs. It is, they assure you, still growing.

Television/Christopher Dunkley

# All rock swots and Köchel numbers

It is a funny old mass medium, television. Well, all right, a funny young mass medium. The British public is, by an enormous majority (over 85 per cent whenever there is a poll) strongly in favour of capital punishment. Would a Martian researcher realise this if he spent, say, a year watching the box? He would not. What would he gather from television was our most popular sport? Football? Cricket? If he watched Channel 4 he might assume that the British were mad for American football. Actually the most popular participatory sport is fishing, yet, judging from television, the Martian would assume this was of interest only to a small minority. As for music, he would get the impression that loud contemporary rock was most popular, with classical orchestral music running it a close second.

If you told him that Britain has an ageing population, that demographics show the number of young people interested in present day pop music shrinking, with the growth being among older people interested in MoR (middle-of-the-road) music – dance bands, theatrical musicals, 1960s pop, light classical, trad jazz, theatre organ, country and western – he might well ask "Then why does television ignore it?" What would the broadcasters reply? If they were honest they would say: "An overwhelming number of those who work in broadcasting oppose the death penalty (just like that chap Dunkley) and most of us prefer classical music or present day pop to all that MoR stuff. So that's what you see on the box".

It certainly is. On Saturday BBC2 brought us two hours 20 minutes of *BBC Proms 96* immediately followed by 60 minutes of *Dancing In The Streets: A Rock And Roll History*, the final part of a 10-hour series. You could not deny the excellence of either programme, even if some of the music was not to your taste. The Prom, relayed live from the Royal Albert Hall, featured the first appearance of the Czech, Jiří Bělohlávek, as principal guest conductor of the BBC Symphony Orchestra. They played three Czech pieces to mark the occasion: Dvořák's "Te Deum", Martinu's "Field Mass", and Janáček's "Sinfonietta", and between the Dvořák and the Martinu the American pianist Richard Goode played Mozart's sublime final piano concerto, the 27th.

While the piano was being brought in, BBC2 began an intriguing little background documentary about the way that the Albert Hall – "the nation's village hall" – is organised and is being perpetually, though mercifully inconspicuously, modernised. According to this programme, which was completed during the interval, the place is in almost continual use, night and day, with a new lot of props or instruments or tables being moved in while the last lot is going out. There was a shorter but similarly interesting background film about members of the orchestra on the next night when, under the same title of *BBC Proms 96*, BBC1 screened a recording of the concert played by the EU Youth Orchestra conducted by Sir Colin Davis. Few things in the world fill you with as much hope as a youth orchestra: all that vitality, talent and enthusiasm!

Both Proms, live and recorded, were televised with a professionalism polished by long practice. The background filming was neatly integrated. The broadcasters are entirely at home in this world of Köchel numbers and accompanied cadenzas. But ask them the colour of the Righteous Brothers, the sex of Pat Boone or who was the first British orchestra leader to win a Gold Disc (white, male, George Melachrino) and most would be stumped. However, their colleagues are entirely at home with the most obscure details of the development of rock and roll, as has been illustrated repeatedly in *Dancing In The Streets*, the best documentary series about popular music ever shown on British (and probably any other) television. True, the final episode did sprint through the most recent trends – rap, techno, house and so on – with a haste that seemed to suggest that even these rock swots had become wearied by the modern rate of change.

The fact remains that we have had another 10 hours of rock and roll material to set alongside such regular programmes as *Top Of The Pops* (where everything seems to be eerily unchanged: the male groups imitating Pete Townshend's jumps, the girl groups thrusting their hips a lot), and *The White Room* on Channel 4. Moreover, for those who want it and are willing to pay, there are now entire channels devoted to rock music. MTV with its 24-hour service of rock videos, spiked with occasional news and chat, is the best known. But there is also VH1 where, from time to time, you may come across a recording dating from as far back as the early 1980s or even the late 1970s. A single hour on Monday included Gloria Gaynor's "I Will Survive", Boy George's "Do You Really Want To Hurt Me" and Billy Joel's "Allentown". Still, those are the exceptions; most of the output comes from the last few years.

So why does television turn its back on that large part of the audience which wants to listen to the sort of music played on Capital Gold and Radio 2? Why do Gilbert and Sullivan operas turn up so rarely on television? Why, after having had such great success for so long with series such as *The Black And White Minstrel Show* and *The Good Old Days*, did the broadcasters scrap them without bothering to provide anything to take their place? It may be said that it is both difficult and expensive to put popular music of this sort on television. Orchestras are expensive. Music rights are expensive. Mounting big studio numbers is difficult, time consuming and expensive. But all those objections apply equally to rock and classical music, yet the broadcasters happily persist with them.

Of course it is easier for radio to play a number by Al Bowlly or Duke Ellington than for television where they need pictures and preferably live action. Yet if television was serious about MoR music the broadcasters could form their own big bands (or use the one that the BBC already has). They could employ the sort of people who star in all those Lloyd Webber musicals which now sustain so many of the big houses in London's theatre land. They could even make 10-part documentary series about great crooners, cinema musicals, or the swing bands of the 1940s. But they don't. In the end it is impossible to avoid the conclusion that, just as there is nobody much among the news and current affairs gatekeepers who agrees with the public attitude on hanging, so – with all those like Bill Cotton having left the BBC and all those like Lord Grade having left ITV – there is nobody left among broadcasting executives who shares the tastes of those millions whose musical preferences embrace *South Pacific*, Vera Lynn, The Hot Five, and the Warsaw Concerto. Mass medium indeed.

Musicals

## Broadway, jazz and blues

Anyone despairing of the modern musical, especially the pseudo-musical, which is little more than a pop concert decked out in platitudes, should hurry to the cosy Bridewell Theatre close by Ludgate Circus where a season of less regarded Broadway musicals is in full swing.

Less regarded, but not less interesting, and certainly not less entertaining. *On the Twentieth Century*, the current show, is everything a musical should be – light-hearted, optimistic, exuberant and camp. It combines the best of the silliness of the 1930s – when the original stage play was a hit; with the wit and sophistication of the 1970s – when Cy Coleman added music and Betty Comden and Adolph Green supplied book and lyrics. There is not a serious line, or a tense moment, in it, but plenty of genuinely funny jokes and a cleverness often missing from the British musical tradition.

"The Twentieth Century" is the train which, in 16 hours, roared from Chicago to New York. In those 16 hours bloodied but unbowed theatre producer Oscar Jafee (Michael N. Harbour) has to raise a fortune, and win over former sweetheart, movie queen, Lily Garland (Kathryn Evans). The problems are that she hates him and has a dashing young stud (Peter Hilton) in tow. There is also a religious maniac on board.

Carol Metcalfe directs with *élan and there are* full bodied, even fruity, performances from the leads and from Josephine Gordon as the bible puncher. The up-tempo numbers, especially "She's a nut" and "Five Zeros", are instantly infectious but the whole show commands a second look. It would be criminal if such a happy experience should be limited to a short run in a small theatre. It demands a long run in a small theatre.

A slighter, but still *enjoyable bonbon*, is available at the Tricycle Theatre with *3 Ms Behaving*, in which the female trio from the 1995 success *Ain't Misbehavin'* put on their own show of jazz and blues greats.

It is pleasant enough, with Debby Bishop, Dawn Hope and the exceptionally voiced Melanie E. Marshall offering a balanced mix of the familiar, like "You go to my head", and the rare, "Legalise my name". A few random musings suggest that the plan was to pad out the evening with more poetry and comment, but the words, sadly, have not survived. They would have provided some useful stiffening.

Certain performances stand out, notably Debby Bishop singing "Can't we be friends" and Marshall in just about everything. But you leave pondering the unbridgeable gap between the songs that proclaim the spirit, independence and beauty of women, and those that dwell on their desperate need for a wedding ring.

**Antony Thorncroft**

Tristram Kenton

Kathryn Evans and Peter Hilton in 'On the Twentieth Century'

## Graham's flame dances on

Edinburgh's Stygian Playhouse – which suggests nothing so much as a Bucharest crematorium – this week housed the Martha Graham company with two programmes identified as *Radical Graham*. This meant works of the 1930s and '40s, which were Graham's greatest years as a dancer and, I'd venture, as a creator.

The majority of American modern dance troupes function as exclusive vehicles for their choreographer and star. *Après* him or her, the inevitable deluge of change, misinterpretation and misrepresentation. Keepers of the flame emerge who "know what was meant". Other apostles proclaim a new faith emerging from the Dead Sea scrolls of the extant repertory.

These are problems which the Graham troupe faces, as did the Humphrey/Limon ensemble, and – in the fullness of time – will affect Cunningham's repertory, and Paul Taylor's, and these only the most important.

The Graham company has an especial problem in that the style in which Graham's greatest works were made was weighty, richly laden with the intensity and hieratic power of Graham's own presence. This week, looking at such major creations as *Cave of the Heart* and *Appalachian Spring*, *El penitente* and *Errand into the Maze*, I could not but recall the ritualistic force of Graham herself and the dense physical manner of her artists as I first saw them in the 1950s. Little in the perfectly decent and rather transparent readings given by today's casts endowed the dance with the emotional and psychic inevitability that I remember with those earlier Graham interpretations. Lightness, polish, even something slick, replaced the formidable and uncompromising manner that Graham showed us.

Yet the pieces are still sure in structure, clear in intention: with bolder, weightier artists (how remarkable Baryshnikov was in *El penitente* a few years ago) the dance lives. Only Terese Capucilli seems to sacrifice herself to her roles with the proper immolatory grandeur: as with Graham, I sensed that she was meeting her destiny on stage.

The most impressive matter of the season was a

EDINBURGH

chance to see early works that have been reconstructed from film and dancers' memory. *Chronicle* was made in 1936, when Graham still had no male dancers. *Heretic* dates from 1929. Both have been brought back to the stage – and to life. In that odd way in which a picture or an object can tell you its identity, these reconstructions "smell right" to me.

Both are pure dance, yet both are political: in the early 1930s a surprising amount of American modern dance was ardently left-wing, orientated towards workers' causes. *Chronicle* has an anti-war message; *Heretic* is a cry for individual freedom of conscience. Both have an Art Deco air in their superb use of a female chorus. In both, Capucilli gives a powerful and beautiful performance: not aping Martha Graham, but making the dance and the ideas live again.

Other rescued pieces are less considerable, and the convulsingly silly *Serenata Moresca* of 1916, in which Graham wowed the public on Broadway as a corner of Old Spain, should now be entrusted to Dame Edna Everage.

There was an added bonus to this season in that four of the works were designed by Isamu Noguchi. The miraculous simplicity of his decors and their imaginative resonance are continuing marvels of the theatre.

**Clement Crisp**

## World culture in a playpen

The fiddler Alasdair Fraser remarked during the third of five late-night concerts in the Greyfriars Kirk that it was nice to know the Edinburgh International Festival has discovered Scottish music. This series is a joy. The concerts have been well shaped to show the historical and geographical evolution of Scottish fiddle music: with Renaissance galliards and branles in the opening concert, and with the Highland influence in the third. The wealth of the genre has been a real ear-opener, and, after some of the more precious and hermetic theatrical offerings, the concerts are an open window of fresh air.

Another wonderful feature of this year's festival is the 18-concert series of all Haydn's mature string quartets. Six days a week, all three weeks of the festival, two or three different Haydn quartets are played in St Cuthbert's Church at 6pm. Haydn is another window of fresh air.

At the King's Theatre the nine performers of *Renyo – Far from the lotus* are quite possibly the finest collection of toothless, sightless, speechless, and clubfooted Japanese bag-ladies I have ever seen. Proceeding this way and that across the stage with all the thoroughness, vivacity and charm of slugs, they performed in the maimed but trancelike style known as *butoh*. This genre, which has developed in post-Hiroshima Japan, is expressionist by intention but inscrutable in practice and looks to the observer like a form of inexpressive torpor. Timoe Shizume, director and choreographer of *Renyo*, and his co-performers occasionally open their mouths in long-held slashes of torment. Meanwhile, taped Jap-pop muzak is played, alternating with amplified passages of distortion and others of recorded running water.

Frank Dunlop, director of the Edinburgh Festival until 1991, spoke last week of the timidity and Eurocentricity of the festival today (discuss, with reference to *Renyo*). While George Steiner's University lecture, which launched this 50th Edinburgh festival, gave the impression that there have been three pinnacles of festival culture in world history: (a) the ancient Greeks (b) Wagner in Bayreuth (c) and John Drummond in Edinburgh. (The notion that the Dunlop years, which immediately followed the Drummond regime, were a decline is widely accepted.) Steiner referred to a million things – to the competitive nature of the ancient festivals, to the creative and cross-fertilising nature of modern festivals, to odd highlights from previous Edinburgh festivals that he seemed to have culled from a top-speed zip through the press cuttings. World culture, he made you feel, is his playpen.

The aspect of Steiner's lecture on which some journalists seized before he had even delivered it was the suggestion that festivals may have a sell-by date, that they should end on a high rather than become moribund. By the time he actually reached this point – very tentatively, in fact – he had been going on for over an hour. It is very good, he said, if people know when to stop. Whereupon he carried on some more.

**Alastair Macaulay**

## INTERNATIONAL ARTS GUIDE

### ■ AMSTERDAM

**CONCERT**
**Concertgebouw** Tel: 31-20-5730573
● Het Gelders Orkest: with conductor Roberto Benzi and pianist Rian de Waal perform works by Liszt, Liszt/Schubert and Ravel; 8.15pm; Aug 24

### ■ ATHENS

**THEATRE**
**Ancient Theatre of Epidaurus** Tel: 30-753-22066
● Ecclesiazusae: by Aristophanes. Directed by Andreas Voutsinas and performed by the Greek National Theatre. The cast includes Giorgos Michalakopoulos and Nikos Bousdoukos. Part of the Epidaurus Festival; 9pm; Aug 23, 24

### ■ BERLIN

**CONCERT**
**Konzerthaus** Tel: 49-30-203090
● Symphony No.8: by Mahler. Performed by the Philharmonischer Chor Berlin with conductor Michael Schoenwandt, sopranos Ruth Welting, Sylvia Greenberg and Juliane Banse, altos Wendy Hoffman and Birgit Remmert, tenor Keith Lewis, baritone Jorma Hynninen, bass Frode Olsen and the Ernst Senff Chor; 8pm; Aug 23

### ■ CHICAGO

**EXHIBITION**
**Art Institute of Chicago** Tel: 1-312-4433600
● D.H. Burnham and Mid-American Classicism: celebrating the 150th anniversary of Daniel H. Burnham's birth and his contributions in shaping Chicago's downtown district, the Art Institute presents this exhibition of about 100 drawings from the museum's permanent collections; to Sep 2

**THEATRE**
**Steppenwolf** Tel: 1-312- 3351888
● Molly Sweeney: by Friel. Directed by Kyle Donnelly and performed by the Steppenwolf Theatre Company. The cast includes Jenny Bacon, Robert Breuler and Rick Snyder; Tue-Fri 8pm, Sat 5pm & 9pm, Sun 3pm & 7pm; to Aug 25 (Not Mon)

### ■ DUBLIN

**CONCERT**
**National Concert Hall – Ceoláras Náisiúnta** Tel: 353-1-6711888
● RTE Concert Orchestra: with conductor Christopher Bell and oboist David Agnew perform works by Rossini, Fauré, Mozart, Haydn and Kodály; 1.05pm; Aug 23

### ■ HAMBURG

**OPERA**
**Hamburgische Staatsoper** Tel: 49-40-351721
● Madama Butterfly: by Puccini. Conducted by Johan Arnell and performed by the Staatsoper Hamburg. Soloists include Romanko, Jänicke, Krogen and Hernández; 7.30pm; Aug 22

### ■ HELSINKI

**DANCE**
**Helsingin Juhlaviikot - Helsinki Festival** Tel: 358-0-1354522
● Leonardo ballet: world premiere of a choreography by Kitti to music by Hämeenniemi on the subject of Leonardo da Vinci and his painting of the Last Supper. Stefan Karpe conducts the Helsinki Philharmonic Orchestra. Opening of the Helsinki Festival; 7pm; Aug 21

### ■ LONDON

**AUCTION**
**Bonhams Chelsea** Tel: 44-171-3933900
● Rock, Pop & Guitars: highlight of this sale is an unrecorded lyric by Jimi Hendrix, written on Hyde Park Towers notepaper with a playlist on the reverse. Also featured is The Black Sabbath Collection – the property of the late Mark Foster; noon; Aug 22

**CONCERT**
**Royal Albert Hall** Tel: 44-171-5898212
● Netherlands Wind Ensemble: with conductor Daniel Harding and pianist Peter Donohoe perform works by Messiaen, Mozart and Stravinsky. Part of the BBC Henry Wood Promenade Concerts (Proms); 10pm; Aug 22
**St. Martin-in-the-Fields Church** Tel: 44-171-9300089
● Baroque by Candlelight: the London Concert Sinfonia with conductor John Landor perform works by Vivaldi, Handel, Pachelbel and J.S. Bach; 7.30pm; Aug 22

**EXHIBITION**
**Victoria & Albert Museum** Tel: 44-171-9388500
● Marvels of Art and Cheapness: Liberty Furniture 1880-1910: a large part of the success of Liberty and Co. was derived from their production of "Art" furnishings for the commercial market. This display looks at the furniture in the distinctive "Liberty Style" and the marketing of the Liberty-designed domestic interior; to Sep 30

**THEATRE**
**Shakespeare's Globe** Tel: 44-171-4019919
● The Two Gentleman of Verona: by Shakespeare. Featuring the Globe's artistic director Mark Rylance in the role of Proteus. Opening performance of this theatre; Tue-Sat 7pm, Sun 4pm, Thu, Sat also 2.30pm; from Aug 22 to Sep 15 (Not Mon)

### ■ LOS ANGELES

**CONCERT**
**Hollywood Bowl** Tel: 1-213-850-2000
● Los Angeles Philharmonic: with conductor Eri Klas and pianist Garrick Ohlsson perform Beethoven's Coriolan Overture, Piano Concerto No.4 and Symphony No.4; 8.30pm; Aug 22

### ■ NEW YORK

**EXHIBITION**
**The Pierpont Morgan Library** Tel: 1-212-685-0008
● Being William Morris: A Centenary Exhibition: exhibition seeking to show a picture of William Morris in his various manifestations and careers: poet, novelist, illustrator and collector, among others. The display includes a diverse group of objects, ranging from books and bindings to wallpaper and fabrics; to Sep 1

### ■ PARIS

**EXHIBITION**
**Centre Georges Pompidou** Tel: 33-1-44 78 12 33
● L'Informe: exhibition focusing on the history of Modernism. The display includes works by Pollock, Duchamp, Fontana, Smithson, Warhol, Hesse, Dubuffet, Rauschenberg and others; to Aug 26

### ■ SAN FRANCISCO

**EXHIBITION**
**SFMOMA – Museum of Modern Art** Tel: 1-415-357-4000
● Frida Kahlo, Diego Rivera, and Mexican Modernism from the Jacques and Natasha Gelman Collection: the Jacques and Natasha Gelman Collection of modern Mexican painting spans the years 1915-1989 and includes works from such artists as Frida Kahlo, Gunther Gerzso, José Clemente Orozco, Diego Rivera, David Alfaro Siquieros, Rufino Tamayo and Angel Zárraga. Multiple portraits of Gelman provide interesting comparisons of artists and eras of art. The display includes 56 works; to Sep 8

### ■ WASHINGTON

**EXHIBITION**
**Arthur M. Sackler Gallery** Tel: 1-202-357-2700
● Preserving Acient Statues from Jordan: eight examples of what may be the oldest human sculpture in the Near East, recovered from an ongoing excavation in Jordan, are featured in this exhibition highlighting conservation and study of archeological material. Photographs document the journey of these ancient plaster statues dating from the 7th millennium BC from their excavation 10 years ago through the conservation and treatment process; to Apr 6

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10.00
*European Money Wheel*

18.00
*Financial Times Business Tonight*

## Ian Davidson

# No passing fad

### The concept of flexibility must be considered as the EU member states work towards enlarging the community

British opposition to any further integration in the European Union will be the central issue in the continuing intergovernmental conference on the reform of the EU in the months ahead.

So far the conference has been deadlocked because the British have resisted all the proposals of their partners for deeper political integration.

But the issue must come to a head before the end of the year, because the Irish, who hold the presidency of the EU, have been charged with holding a special summit in October to move things along, and with preparing a new draft treaty in time for the regular summit in December.

In law, British resistance is secure. The EU treaty can only be changed by unanimous agreement. But the big new idea in the negotiations is the concept of flexibility: the notion that the Union must find new ways to accommodate both those countries (the majority) which do want to move to a more integrated Europe, and those, such as the UK, which do not.

The starting assumption of a number of member states, including Germany, France and the Benelux countries, is that this flexibility could be achieved by inserting one or more articles into the EU treaty. These would allow subgroups of member states to move ahead together without waiting for unanimous agreement.

So far, however, no one has really spelled out how this notion would work, or what the consequences would be. Would flexibility lead to the creation of a political hard core of member states, led by France and Germany? If so, how would this hard core relate to the existing Union? And how would the rest be affected?

These and similar questions are likely to dominate the rest of the intergovernmental conference. So it is useful, before the autumn diplomatic manoeuvres start in earnest, that Mr Frank Vibert, director of the European Policy Forum, a cross-party think tank, has produced a pamphlet which takes a detailed look at the idea of flexibility.

On the whole, Mr Vibert finds it unsatisfactory or even damaging. Coming from the European Policy Forum, which does not generally support a more politically integrated Europe, such a verdict is not entirely unexpected. We should not be surprised that Mr Vibert finds fault with an idea which would be designed both to promote the political integration of an inner core of member states and to circumvent the UK.

Yet he makes many good points. The concept of flexibility would inevitably be difficult to implement in any workable fashion.

It would be hard to reconcile with existing forms of European integration, which are based on the idea that all member states participate in all policies equally. It could even be damaging to the European cause. If the advocates of flexibility hope it will be a viable solution to the British problem, they need to be sure that it does not make matters worse.

> The big new idea is that the EU must find ways to accommodate countries that do want a more integrated Europe, and those that do not

Mr Vibert sees three main difficulties in any scheme to launch an avant garde or inner core of member states.

● Institutional. If the avant garde were fully inside the Union, the institutions would be pulled in conflicting directions. How would the Commission, the European Parliament or the European Court deal with different memberships? But if the avant garde were *not* inside the Union, what would be the point?

● Conflicts of interest. If there were two groups of membership of the Union, it might not be easy to reconcile the conflicts of interest between them. Moreover, an inner core of states could soon become a permanent caucus in the Council of Ministers, which might set up structural conflicts in the council.

● Philosophy. The creation of an avant garde would not merely *not* solve the fundamental ideological dispute over the nature and purpose of the Union, it would probably make it worse.

Partly for these reasons, Mr Vibert claims (without serious evidence) that support for a general flexibility clause is "fading". He believes that France and Germany, the main sponsors, have divergent objectives, and that the small countries are worried they would lose out. So he argues that interest is now switching from a general flexibility clause to narrower forms of flexibility in more limited policy fields.

And yet he acknowledges that the issue at stake is a fundamental difference about the nature of the European integration process; and that such a difference cannot be finessed by a shift from a general flexibility clause to something more modest.

"It is an illusion," he says, "to think that great differences about the shape of European political union can be contained for much longer."

If such differences are structural, he says, "it would seem that flexibility provisions would be a cumbersome way of dealing with the problem. It would seem simpler just to negotiate special arrangements for that one member state."

In other words, the appropriate answer may not be a general flexibility clause in the treaty, but a general opt-out for Britain from all future integration.

He does not seriously explore such an option, which would in effect amount to the structural marginalisation of the UK. But in any case, he concludes, "flexibility is unlikely to prove a passing fad, and will probably remain a central issue in the end stages of the negotiations".

There is, of course, a structural reason why it will remain a central issue, and it is called enlargement. It is theoretically possible that a different British government could prove more open to the European cause, and thus obviate the need for a flexibility clause specifically directed at the UK. Unlikely, but still possible.

But it is almost impossible to imagine an enlarged community of 27 member states in which all would participate equally in all policies. If such an enlargement can be negotiated and ratified – a proposition which has yet to be demonstrated – it will obviously have to be on the basis of some sort of flexibility. So the sooner we start thinking about it seriously, the better.

*Structured Flexibility in the European Union. Frank Vibert. European Policy Forum, 20 Queen Anne's Gate, London, SW1H 9AA, UK*

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Published letters are also available on the FT web site: http://www.FT.com Translation may be available for letters written in the main international languages.

## Crude politics behind draft test ban treaty

*From I.M. Channing.*

Sir, Like most UK and US reporters covering the negotiations for a draft comprehensive test ban treaty, Bernard Gray portrays India as the spoiler ("Nuclear treaty poised to go up in smoke", August 16). Yet his claim that the treaty has "almost overwhelming international backing" needs qualification.

In fact, its opponents include not only most Indians but many silent millions in the non-aligned countries and, deep down, the Chinese, whose lack of enthusiasm about this draft is almost palpable.

In short, well over half the population of the world has reservations. The underlying problem is the permanent extension of the nuclear non-proliferation treaty last year. This pact was rammed through the UN without even a vote, leaving even famously anti-nuclear weapons states like Japan aggrieved.

It is easy to understand why: a pact which guarantees ultimate military supremacy to five nations in perpetuity is unfair and, in the long term, potentially very dangerous. How long will the world's rising big nations tolerate mandated impotence while a country like Britain is allowed to keep its nuclear arms because of a fluke of history?

The other reason I question this international backing for the comprehensive test ban treaty is that negotiations have been conducted without reference to any electorate. The same was true of the nuclear non-proliferation treaty talks.

In both cases, the US brought its almost overwhelming diplomatic power to bear in what looked to this layman like crude political bargaining: you accept our terms, or there will be repercussions in aid and military programmes. And nowadays, no country can afford to be on the US blacklist.

I.M. Channing.
Teraodai 1.18.4.804
Tama-Ku.
Kawasaki-Shi,
Kanagawa-Ken
Tokyo. Japan

## Web requires professional surfers

*From Mr Simon Buckingham.*

Sir, If in "Rise of the Internet threatens traditional banks' market", (August 12), you replace the word "banks" with "companies" and the word "branch" with "office", you end up with an emerging truth. That is, all companies in all sectors are significantly affected by applications of technologies such as the Internet.

Web-based order processing, that is, Internet front ends to traditional legacy database systems, are the next big trend which many banks and other retailers will adopt as they move past-entry level Internet presence. Technologies such as credit card authorisation, Java and ActiveX will facilitate interactive Web pages, increasing the attractiveness of online transactions.

If you combine the impact of the Internet with other technologies such as smart mobile phones and position location systems you begin to see the possibility of "collapsible corporations" defined by transient transaction-oriented electronic signals and not physical, geographical structures such as branches.

Traditional vested interests may deny this but as the growth in the graph in your article shows, these trends are irresistible. The repercussions in terms of "technological capitalism", in which individuals can participate in, and benefit from, free markets, are phenomenal.

Entry barriers to the Internet are low and publishing and retailing opportunities high. The waves that the Web will throw up will require pro-surfers.

Simon Buckingham,
The People Pollers,
6 Goldwell Drive,
Newbury,
Berkshire RG14 1HZ, UK

## London needs modern buildings

*From Mr Stephen L. Phillips.*

Sir, In contrast to the City Heritage Society (Letters, August 13), I welcome the proposal to put a 90-storey building on the Baltic Exchange site.

The Baltic Exchange was a fine building but it is gone. London is not so short of comparable buildings that this one, like parliament after the Blitz, needs to be rebuilt as it was.

What London does need is some impressive modern buildings, both to mark its place in the world and to reinstate the famous London skyline. The skyline of old was one of church spires rising above buildings only a few storeys high. The churches are still there, but the view is lost behind buildings high enough to conceal, but too low and close-packed themselves to impress from afar.

High-rise does not equate to over-development if it is surrounded by open space. Let developers buy up sites, raze the mediocre ground-cover and replace it with stylish buildings in a stylish setting. We might even be able to see the churches again.

Stephen L. Phillips,
chairman, Hygicare,
Whitegate Industrial Estate,
Wrexham,
Clwyd LL13 8UG, UK

## Tips for the top

*From Mrs M.B. Maunsell.*

Sir, In "Mastering Management", August 16, a woman in her mid-30s asked how she could break through the "glass ceiling".

I am a woman in my early 50s, a partner in a City firm of solicitors. I would like to pass on this advice.

First, you must be good at your job. Second, barriers apply to both sexes – those at the top are capable of fearing competition from both men and women. If you think there is a glass ceiling, there will be one. You can do a lot to get rid of it. Third, treat everybody with courtesy and compassion. Never say anything behind someone's back which you would not say to them face to face. Fourth, make sure you are in an environment of which you approve – you will not succeed unless the culture suits you and you suit the culture. Last, a mentor is helpful.

This advice applies to men and women. You have to believe and behave as though men and women belong to the same species.

M.B. Maunsell,
41 Colebrooke Row,
London N1 8AF, UK



# When the numbers add up

### Australia's stringent budget takes a gamble on high growth, says Nikki Tait

An ebullient Mr Peter Costello, Australia's new treasurer, described the Liberal-National coalition's first budget in 14 years yesterday as "a historic opportunity to turn around the [budgetary] course . . . into the next century". Without the fiscal medicine, he added, Australia would be headed down "a path of deficit and debt to the year 2000".

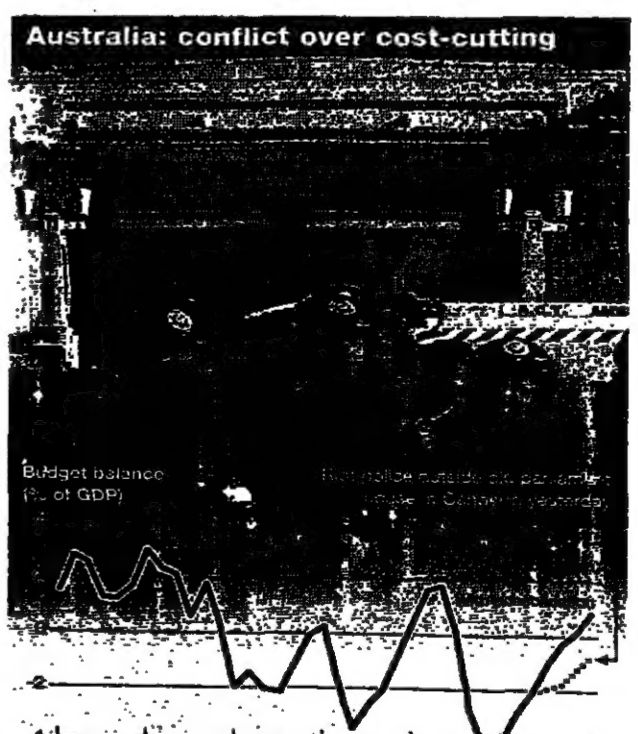
It was a characteristically bombastic comment. From the moment the new government took office on March 2, it began to build up its first budget as one of the centrepieces of its three-year term. The coalition wanted to move Australia to a fiscal balance – and, eventually, a surplus – compared with the A$10.3bn (£5.54bn) deficit seen in the last year of Labor's administration.

Such fiscal rectitude, the country's new masters argue, would go some way to offsetting Australia's perilously low level of household savings, and mitigate the need for large foreign capital inflows to cover the current account deficit. In short, some of the constraints on Australia's economic growth might finally be addressed.

The prospect of budget cuts were greeted with furious protests in Australia, culminating in a demonstration at Parliament House in Canberra on Monday. Yesterday Ms Jennie George, president of the Australian Council of Trade Unions, called it a "bad budget" that "slashes and burns too widely and too deeply". But the issues for international markets after yesterday's package will be different. For a start, does the arithmetic add up?

From the outset, the treasurer's hand was constrained by a pre-election promise not to raise new taxes. In addition, promises made during the election campaign meant that the government was saddled with expensive new expenditure commitments – notably extra tax breaks for lower-income families.

After five months' agonising, Mr Costello's solution hinges on expenditure savings of A$4.45bn in 1996-97 and A$7.23bn in 1997-98. The government is also looking for additional net revenues of A$979m in 1996-97 and A$1.96bn in the following 12 months.



Source: Commonwealth Treasury of Australia

The bottom line is that Australia's 1996-97 deficit should be A$5.65bn, or 1.1 per cent of gross domestic product. In the following year, this is forecast to dip further to A$1.5bn, or 0.3 per cent of GDP. By 1998-99, there is a A$1bn surplus.

These goals will be achieved by spreading the pain of cutting costs and increasing revenues. The costs of ministerial departments will be squeezed, higher education charges will be raised, spending on labour market programmes will be cut, rich tax evaders will be targeted, and the already negotiated reduction in federal grants to the states will be implemented.

Conspicuously absent from the basic budget sums are proceeds from asset sales – a piece of budgetary integrity which should reassure the fiscal conservatives. But there is an assessment buried deep in the budget papers suggesting that asset sales could bring in A$5.1bn in 1996-97, and as much as A$8bn by the following year – assuming that the controversial partial privatisation of Telstra, the telecommunications group, goes ahead. If the privatisation income is included, Australia could therefore run a balanced budget in the current fiscal year.

Another question that will be asked in the financial markets centres on the economic data used to support the treasurer's calculations. These are critical, since federal revenues are highly sensitive to the economy's growth rate.

Here, the scope for controversy is larger. The Treasury is working on a 3.5 per cent growth rate for 1996-97 and for following years. Despite the budget savings, the government's scenario sees private consumption continuing to expand, and business investment rising by 14 per cent, compared with under 10 per cent in 1995-96. Even the number of jobs is predicted to expand by more than 1 per cent, although this will make little dent in Australia's unemployment rate, which is forecast to stay above 8 per cent.

Such estimates are well on the optimistic end of private-sector forecasts, and seem to presume that the mere scent of budgetary balance and the possible downward pressure on interest rates will boost business confidence.

Questioned about some of the assumptions, Mr Costello described them as "realistic". But some economists worry that the atmosphere of fiscal rectitude and continued high rates of unemployment may dampen public confidence and that the business sector will respond only cautiously.

Third, there is the matter of the package's political chances. The government's problem on this score is its lack of control in the Senate, parliament's upper house where the balance of power is held by left-leaning minor parties and independents.

All that said, Ms Cheryl Kernot, leader of the Australian Democrats, the largest of the minor parties, calculates that many of the 1996-97 expenditure savings will need a vote of support from the Senate – and both she and Labor have already outlined some likely battlegrounds, including the higher education charges.

Even Mr Costello acknowledges that there is scope for a tussle. "The Senate could knock this budget around, but if it does it's knocking around our future," he said.

Finally, there is little chance that yesterday's package will curtail the debate over the "social equity" of the new government's strategy. A rowdy public demonstration in Canberra on Monday, partly over budget cuts, was followed by a smaller, but equally eventful protest by Aboriginal groups yesterday.

Opposition leaders have seized on the admission that fiscal rectitude will do little to shorten the dole queues in the immediate future. "The overwhelming problem is the absolute indifference of Mr Costello and this government to do anything about unemployment," says Mr Gareth Evans, shadow treasurer.

Perhaps the government's best hope is that the business community will respond to the budget by producing the investment and growth levels set out in the forecasts. But it remains a gamble.

FINANCIAL TIMES

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Wednesday August 21 1996

# South Korea and the North

In itself, the protest by students at Yonsei university in Seoul was of modest significance. Their demands for re-unification with North Korea and the withdrawal of US troops were absurd and irresponsible. But the question they raised of how the South should deal with the North is of great importance, not only for Korea, but for the world. Seoul needs a carefully worked-out strategy. This, unfortunately, it lacks.

Violent demonstrations by students and still more brutal responses by the authorities are as Korean as ginseng. In the late 1980s such protests played an important role in shifting Korea towards democracy. But that was because the students articulated what their parents felt. This time, inevitably, the students obtained no support from their elders. So the reaction of the authorities, overly heavy-handed though it was, is unlikely to have serious domestic repercussions.

Nevertheless, these events, unimportant in themselves to the wider world, do reflect the lack of a mature debate about relations with the North. Behind this is the still more serious failure of the government to think through its interests and its objectives.

North Korea's is a vile and incompetent regime towards which the South has good reason to feel little but hatred and contempt. But Seoul also has cause to fear the destabilising consequences of a precipitate collapse in Pyongyang. The North must be dealt with, not only because it is there, but because it is in everyone's interests that it should remain there, at least for some time.

## International mendicant

Collapse is conceivable. The North has become an international mendicant, unable to feed its people and heavily dependent on food aid. Its income per head is under 10 per cent of South Korea's. Its economy is in decline, while the South will be disappointed if it only registers the expected expansion of 7 per cent this year.

Yet such a collapse would be immensely dangerous. The North might even launch a war if disappearance were the only immediate alternative. If it did not, the South would have to manage a forced unification several times more difficult than that between west and east Germany. Not only is the income gap far larger between the two parts of Korea than in Germany, but the population of the North is half that of the South, compared with only a quarter in the case of Germany.

## Harmonious reunification

The South's interest, therefore, is in the survival and reform of the North as the only way to bring about harmonious and affordable unification in the long term. Certainly, this will be difficult to achieve. There is a risk, for example, that economic reform would itself trigger the North's collapse by allowing its citizens to appreciate how cruelly they have been cheated and deceived. But standing aloof – while hoping the North can survive as it is – is almost certainly still riskier.

Seoul should build on the success of the Korea Peninsula Energy Development Organisation, the international consortium set up to finance and build new nuclear light-water reactors in the North. The organisation was created out of bilateral contacts between the US and the North, which the South generally opposes. But, ultimately, it led to practical co-operation that includes the South.

In other areas, too – such as food aid and economic development – the South should encourage constructive dialogue, even if it is itself initially excluded, in the confident presumption that intra-Korean co-operation will ultimately follow. Similarly, South Korean investment in the North, recently begun, should be encouraged as vigorously as possible. Above all, the victor in the struggle should realise the dangers of standing on dignity. If this triumph is not to be pyrrhic, Seoul should instead show foresight and magnanimity.

# Inflation that feels good

When the price of cabbages or cars goes up it is called inflation. When houses in the UK start to cost more, it is called recovery and there is popular applause, especially from Tories who want to win the next general election.

The news yesterday that UK mortgage lending rose last month to a six-year peak will give further encouragement to the optimists. It follows a gently accelerating recovery of prices, which were more than 5 per cent higher on average last month than a year ago.

This follows the longest and steepest decline since the second world war, which caused prolonged misery to those who bought houses just before the bubble burst in late 1989. The anaemic rise in prices in the last two years has barely kept pace with general inflation. The Nationwide house price index did not start rising in real terms until the beginning of this year, having touched bottom in the last three months of 1995, 37 per cent (in real terms) below its peak 6½ years earlier.

Some sectors of the market have been more buoyant, notably for properties in the smartest parts of London and high-quality houses elsewhere, particularly in the south. Nevertheless, the collapse of the market has cost the government dearly in terms of lost popularity in the polls.

## Narrowing gap

By the first quarter of 1993, the total value of mortgages taken out by householders was £10.8bn more than the aggregate market value of their properties. Lower interest rates and a gentle rise in nominal house prices have helped to reduce this negative equity to a little under £1bn. The gap between borrowings and house values narrowed sharply this year.

A rise in house prices of 5 per cent this year, which is what most analysts expect, would halve the negative equity problem and create good prospects for wiping it out altogether. This might make householders "feel good", but it would not necessarily create a big rebound in the market.

In the late 1980s, house owners who made large paper profits in a rising market turned them into cash, then set off in search for even bigger profits and more bedrooms. In the present market, there is as yet no such lubrication, except perhaps in a few limited sectors.

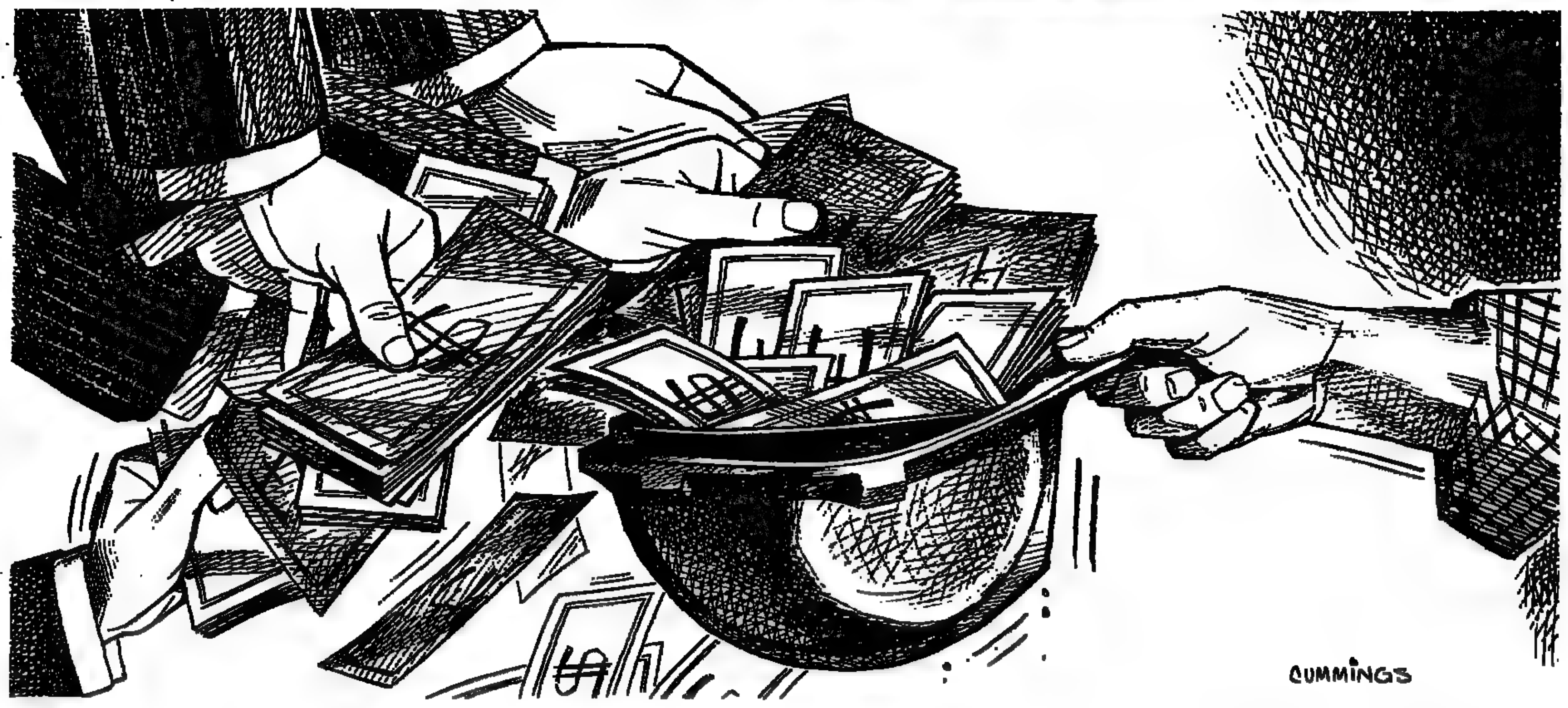
The recent recovery in prices appears to be the result of more rational factors: low interest rates and declining real prices have driven down average mortgage payments as a proportion of incomes to the lowest for 20 years. Supply of good-quality housing is limited, however, by the low level of building in recent years. Subdued inflation has given buyers confidence that interest rates will not shoot up.

## Grounds for optimism

On the other hand, borrowing to buy a house is no longer a good way to avoid tax. Income tax relief in effect lowers the interest rate by only about three-quarters of a percentage point on the average mortgage. Moreover, although interest rates are low, they remain positive in real terms. So buyers can no longer be confident that rising prices will wipe out their mortgage debt as happened for a generation of house owners in the 1960s and 1970s.

There are therefore grounds for optimism that the recent increase in activity is the start of a benign correction in prices rather than another mad rush. It is not often realised that, after all the thrills and spills of the housing market during the Tory years, average house prices today are, in real terms, exactly the same as when Mrs Margaret Thatcher came to power in 1979.

This may be close to where prices should be in an unconstrained market. So although the government may welcome this recovery, it must remember that house-price inflation is as incendiary as any other variety. It must not be tempted to fan the flames and if they start to get out of control, it must douse the blaze with higher interest rates.




# Risks of a concrete proposal

**Banks have moved into project finance to lift profits but hazards are growing, say Richard Lapper and Conner Middelmann**

From the road north of Bridgend in South Wales, the Parc prison is scarcely visible. But behind the gates of an old psychiatric hospital which once occupied the site, three concrete H-blocks are emerging from the landscape.

Europe's largest private prison development is part of a trend which is providing international banks with one of their most profitable sources of business.

National Westminster, Lloyds and eight other banks are lending £77m, repayable over 18 years, to Bridgend Custodial Services, a consortium developing the project.

With competition depressing profit margins on standard commercial transactions such as loans to large companies, banks are chasing project finance deals to fund large-scale industrial development and infrastructure projects such as this one.

This in turn has begun forcing down project finance interest margins – the difference between the rate the bank charges on a loan and its own cost of funds – and weakening the terms and conditions attached to the loans, raising fears that banks are becoming exposed to dangerous risks.

"Banks are becoming more and more hungry for this high-margin business but one day it may go too far," says Mr Rod Morrison, editor of IFR Project Finance International, a specialist publication. "The banana skins come when the structures of deals become looser."

A typical project finance deal for industry or infrastructure is funded through a combination of equity – pledged by the developer or operating companies, or in some cases by outside investors – and debt provided directly as bank loans or through bond issues.

Lending is normally on a "non-recourse" basis, which means that in the event of a default, the lender has a claim only on the assets of the project rather than on the sponsors or developers.

The company developing the project usually operates it until the loan has been repaid and profits earned, usually over a period of 20 years or longer. Initially, project finance was largely limited to the oil, gas and mining sectors, where developers needed substantial funds to finance capital-intensive exploration and development whose payback was long-term.

Since then, however, its range has been extended, in particular as a way for cash-strapped or indebted governments to finance infrastructure works.

Across the globe, and especially in the emerging markets of Asia, Latin America and eastern Europe, governments are turning to project finance as a way to finance infrastructure, from power plants, roads and ports to sewage facilities and telecommunications networks.

In Britain, project finance techniques have been used to fund new roads, hospitals and prisons since 1992, when the UK government announced its private finance initiative. Other European governments are now looking carefully at the results.

"It can be seen as greenfield privatisation," says Mr Gordon McKechnie, managing director of project finance at NatWest Markets. "You are selling something which has got to be built."

The trend has provided a new source of business for international banks, which, having rebuilt their balance sheets after their losses of the 1980s, are now flush with cash. In the past two years banks have increased by some 50 per cent the amount they lend in the syndicated loans market. But with margins on syndicated loans to the most creditworthy borrowers getting more and more competitive, bankers have become increasingly attracted to riskier and more complex project finance deals.

"Banks are outbidding each other to get these assets on their balance sheets," says Mr Jeremy Wilson, head of J.P. Morgan's project advisory group. "They are looking for extra returns, and these deals offer very attractive yields."

A growing number of banks are prepared to take risk on to their own books rather than rely on guarantees from governments, international agencies such as the World Bank or export credit agencies. According to IFR Project Finance International, the value of project finance loans – excluding those guaranteed by governments or agencies – rose by 79 per cent to $23.3bn in 1995 from the previous year.

The attraction of project finance for the banks is that developers and construction companies seeking project loans pay higher interest rates than those applying to conventional bank loans to companies. Whereas a highly creditworthy company might pay a fifth of a percentage point above the London interbank offered rate (Libor) – the rate at which banks lend to each other – on a conventional loan, it would usually expect to pay more than a percentage point above Libor on a project finance loan, reflecting the extra risk and complexity.

However, interest rates on project finance debt have tumbled over the past two years, although maturities have been getting longer.

A neat example of this trend can be found in Indonesia. Two years ago, banks lent the developers of the $1.8bn Paiton 1 power plant project $180m with no government guarantees, repayable over eight years at a rate of 2.25 percentage points over Libor. Earlier this year, banks loaned the developers of PT Jawa Power, a $1.6bn power plant being built just a few yards from Paiton 1, $82m for nearly twice as long a period – 15 years, the longest maturity achieved by a borrower for an uncovered loan – at an initial rate of 1.5 per cent over Libor, rising over time.

"Margins available are now a lot slimmer than they were a year ago," says Mr Gareth Brett, director of structured finance at BZW, who estimates that margins of UK power station deals have dropped by a fifth of a percentage point in the last year. "To win business banks are having to work harder on pricing."

Yet cheaper loans and the easing of terms and conditions is taking place at a time when the risks appear to be rising. These risks have been underlined by a number of recent losses.

Problems surrounding some £8bn of loans to Eurotunnel, the Anglo-French consortium which built and operated the Channel tunnel, have been the most spectacular.

Another example is Health Care International, the Scottish private hospital which, only eight months after opening in March 1994, faltered due to a shortage of patients and went into receivership when its bankers failed to agree a rescue package.

Smaller cases include the Gold River newsprint mill in Canada, which closed in late 1993 following a dispute between lenders and shareholders, who defaulted on C$226m of bank debt.

In power deals, banks have in the past lent money on condition that the project developers secure a long-term agreement with a power distributor to buy the electricity produced. With electricity prices falling, however, distributors in the US have challenged these so-called power purchase agreements in the courts and banks have been under pressure to lend on a less secure basis.

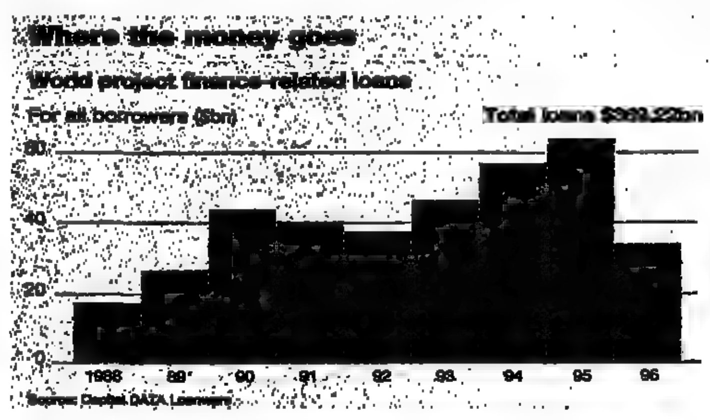
Banks recently agreed to lend A$2bn to the UK company PowerGen for the development of the coalfired generating plant at Yallourn in Victoria, Australia, with no power purchase agreement in place, in effect assuming the risk that the market price of electricity might fall.

Above all, unexpected changes in the regulations governing a project have become one of the biggest hazards faced by bankers. The decision in 1995 by the state of Maharashtra in India suddenly to revoke a contract it had agreed with Enron for the construction of a power project is the best-known example.

Bureaucratic delays, sometimes complicated by subtle political shifts, are common throughout Asia and notorious in India and China. Even in the developed world, so-called "regulatory risk" arising from changes in rules governing a sector can cause costly delays in project timetables. Regulatory risk can be a particularly acute problem in politically sensitive sectors such as electricity, roads and health.

In the long run these delays compound the banks' risks. They mean that relatively few projects are coming to fruition and that banks must be prepared to incur costs working on assessments of several projects just to win one as competition increases. .

Observers say that banks' growing willingness to lend at easier terms in an increasingly risky environment may spell trouble down the road. "I am not sure we have reached the danger zone yet," says Mr Wilson of J.P. Morgan. "However, for some banks which are not being adequately compensated, things could go wrong a few years down the road."




# · OBSERVER ·

## Chicago mobs roll up

■ In 1968, the last year the Democrats held their national political convention in Chicago, demonstrators were kept in line by police clubs, and Chicago's finest showed their mettle by beating up the radicals filling the city's lakefront parks.

The yippies are now yuppies, and Mayor Daley's son Richie is running the city. Chicago has mellowed. So much so that it's offering assorted benefits to the potential demonstrators attending this year's Democratic National Convention, which is being staged between August 26-29. Sound systems, portable toilets and free parking passes are all being laid on.

The city has even held a lottery to distribute 96 "protest slots" at two fenced outdoor arenas that are well removed from the convention centre. Demonstrators are able to register in advance for a one-hour protest period at either location, where the city will allow rabble to be roused between 10am and 10pm. To date, the Lunar Reclamation Society, the US Junior Chamber of Commerce, and a Chicago newspaper columnist seeking to put a the dead comedian John Belushi on a US postage stamp are among the groups that have been assigned demo times during the Clinton coronation.

But such is the lacklustre state of public protest that only 55 protest groups signed up for the lottery, so the City is now beating the bushes in a second round for more protesters. In the meantime, groups like the Lesbian Avengers of Chicago have applied for, and received, more protest time.

## Heavy tread

■ Did Adrian Bellamy realise what he was getting into when he agreed earlier this year to take over as chairman of Compass, the holding company of the Bata shoe empire?

Now in his mid-50s and living in California, Bellamy has no shortage of retail experience. He ran one of South Africa's biggest clothing chains before emigrating to the US, where he headed DFS Group, one of the world's biggest duty-free chains. Over the past two years he has collected a number of prized directorships, including Starbucks, Gucci and The Gap.

At Bata, Bellamy may be chairman, but he's not the boss. Bata is family-owned and the 81-year-old patriarch, Tom Bata, is still very much in charge. His interference is widely blamed for the abrupt departure in the past year of six of seven senior executives, brought in to move the group in a new direction.

Bellamy and other board members have now persuaded Bata to hire McKinsey, the management consultants, to prepare a fresh strategic plan. The big question is whether the old man and his forceful wife Sonja will agree to implement it. Bellamy is confident that all will be well. If it isn't, he may be looking for a few new directorships.

## Bunker bedding

■ Nice idea from Volker Rühe, Germany's defence minister, who yesterday said he would open barracks to students in need of cheap accommodation.

One problem, though. On the border of Belgium and the Netherlands is the most populous of Germany's larger states, North Rhine-Westphalia. It has numerous universities and technical colleges in Cologne, Düsseldorf and elsewhere – and its barracks "are full to the brim with soldiers," admits a rather embarrassed Bundeswehr spokesman.

That's a little surprising. Even in the bad old days of the cold war, Germany's soldiers were supposed to be stationed all over central Germany, ready to confront the enemy across the so-called inner German border. Now the Berlin wall has disappeared, reason suggests that some of them might have been moved further east.

## Tokyo targets

■ In Japan the consumer price index is updated every five years to take account of underlying social changes; it provides a little sidelong glance at what's in and what's out.

This time round, the 37 new entrants to the basket of 580 products include game machines, tickets to soccer matches, imported rice, golf club membership fees and home-delivered pizza. Out go traditional socks, corned beef, mouth organs – which Japanese children learn to play in school – and a pressed-fish sausage eaten as a snack.

## Little hatchet

■ Readers of the New York Times this week might have been forgiven for wondering if the presidential field was not about to acquire a candidate who would have wandered into the White House *nem con*.

Its report on Ross Perot's Sunday convention in Valley Forge, Pennsylvania, noted that George Washington's troops had spent the winter there in 1977-78. As the paper noted yesterday, an "editing error" got the date wrong by 200 years.

*The Financial Times*

## 100 years ago

**US Outlook**

The commercial outlook in the United States is being watched with considerable care on this side of the Atlantic, and a breezy expression of opinion elicited from the Galveston Rope Company by the "Manufacturers Record" of Baltimore may be of interest to our readers: "Better all go fishing until November, then elect McKinley and secure prosperity, or Bryan, and get all the ists and isms, demoralisation, mistrust, anarchy, revolution, mobs, riots and H–l broke loose generally for four years." Apart from the peculiarly American method of expression, the remarks will probably receive unanimous endorsement in business circles.

## 50 years ago

**Steel Industry in Germany**

Britain's decision to take over the whole of the iron and steel industry in the British Zone of Germany was notified to the Allied Control Council today by Sir Sholto Douglas, British C.-in-C. in Germany.

A Control Commission official said: "This action is in accordance with Article 12 of the Berlin Protocol, to establish firm control over the major German industrial potential and to break down the influence of excessive concentration of economic power."

FINANCIAL TIMES
Wednesday August 21 1996



## White House hails opening of foreign markets

# US trade deficit with China passes Japan's

By Nancy Dunne in Washington

The US trade deficit with China rose to \$3.3bn in June, surpassing for the first time the trade gap with Japan.

The Clinton administration hailed an improvement in the overall deficit to \$8.11bn from the abnormally high figure of \$10.5bn in May, claiming its trade policies were succeeding in opening foreign markets and selling US goods abroad. However, the deficit with China could foreshadow increased tension with Washington.

"The key thing in the trade figures is that the US deficit with China will be larger than last year's \$34bn," said Mr Charles McMillion, a Washington economist. "It is concentrated in high-technology and high value-added products, led by electronics, including optics, autos and auto parts."

With the administration searching for good news before next week's Democratic party convention, Mr Mickey Kantor, US commerce secretary, chose to portray the China figures as positive. Although the deficit with China was up 8 per cent so far this year, he said: "This rate of growth is substantially lower than we have seen in recent years."

Complaints by US trade officials about China's "closed markets" have been growing in recent years, and trade wars over intellectual property enforcement and market access were only narrowly averted.

Mr Kantor said the deficit "is another reminder of the importance of opening Chinese markets through trade agreements and enforcing trade laws". However, with the deficit rising strongly and US presidential elections in November, no progress can be expected this year in negotiations over China's admission to the World Trade Organisation.

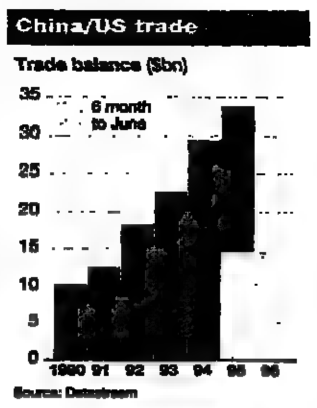
One of the ongoing US-China disputes is over the calculation of the trade figures. Beijing complains that the US counts as Chinese exports many goods that have been re-exported through Hong Kong.

Economists yesterday noted that the June figures did not necessarily mean China would surpass Japan this year. The deficit with Japan was \$3.2bn in June, but for the year so far it stands at \$22.3bn, compared with \$15.7bn for China.

Mr Andrew Szamosszegi, an analyst with the Economic Strategy Institute, said the reversal had been expected but not so soon.

"It's a function not only of China's growth as an economic power, but of the gradual opening of Japanese markets for US firms."

China/US trade




Source: Datastream

# Australia launches budget as violent protest continues

By Nikki Tait in Canberra

Australia's conservative federal government yesterday unveiled its first budget, promising to move federal finances "from a path of deficit and debt" to a A\$1bn (\$700m) surplus by 1998-99.

"You don't turn around a nation's finances, a nation's future, without making some hard decisions," Mr Peter Costello, federal treasurer, told parliament. "But if we avoid the hard decisions now they are only going to get harder."

Public demonstrations against the new wave of fiscal restraint erupted into violence for the second day running yesterday. Aboriginal groups, who face aid cuts of about 11 per cent this year, staged a protest rally outside Parliament House in Canberra. Scuffles with police broke out when the demonstrators attempted to enter the Old Parliament House buildings nearby, with some people suffering minor injuries.

Mr Costello said squeezing public sector running costs, cutting social welfare programmes and eliminating some tax concessions would reduce the budget deficit to A\$5.7bn in the current fiscal year, from A\$10.3bn last year. The deficit would fall further to A\$1.5bn in 1997-98, or 0.3 per cent of gross domestic product, moving into surplus in the following 12 months, he said.

As promised, the budget package contained no new taxes and did not raise existing ones. The government, elected in March, will also fulfil its manifesto promise to give middle and low-income families some extra tax breaks.

The Australian dollar and bonds both retreated amid mild disappointment that the budget was not as tough as the markets had expected.

Mr Gareth Evans, treasury spokesman for the main opposition Labor party, said the "overwhelming problem" was "the absolute indifference of Mr Costello and this government to doing anything about unemployment."

The budget's chances of passing through the Senate, parliament's upper house, were significantly improved yesterday when a Labor senator said he would switch to become an independent.

The senate's balance of power is held by minor parties; the government needs two extra votes to push its measures through.

The numbers add up, Page 10
See Lex

# Prospects rise of cut in German rates

Continued from Page 1

after worsening in June. Salomon Brothers, the US investment bank, said that based on M3, "the Bundesbank has scope to lower the repo rate modestly".

It expected the bank to "start moving down that path at a very cautious pace, probably at this week's council meeting".

Yet some doubts remained. Mr Holger Fahrinkrug, Frankfurt-based economist at Union Bank of Switzerland, said: "A repo cut on Thursday is not a safe bet and there is certainly a risk that the Bundesbank might disappoint the market again, which would put further upward pressure on the D-Mark."

He reckoned any Bundesbank move would only be aimed at nudging the repo rate down from 3.30 per cent to between 3.10 per cent and 3.20 per cent.

However, a weakening of the D-Mark against other currencies would help exporters.

# Korean police hunt university protest leaders

By John Burton in Seoul

Empty teargas shells littered the driveway of the Graduate School of Education at Seoul's ivy-covered Yonsei university yesterday morning. Debris lay scattered beside an abandoned police riot shield on the steps leading to a lobby gutted by fire.

The university, one of the country's most distinguished, had been the site of a tense nine-day confrontation between the authorities and more than 4,000 students demanding the reunification of north and south Korea.

Yesterday at dawn, the police lost patience, and preceded by a barrage of teargas from armoured vehicles, advanced on the graduate school. They smashed into the building with sledgehammers, but hundreds of students fought back with fire bombs and steel pipes before surrendering, mostly without injury, an hour later.

Another 2,000 students occupying a nearby science hall were allowed to slip through the police cordon because of fears they would use toxic chemicals in the building to resist an assault. Most of the fleeing students were captured in the residential area surrounding the university.

Officials said they would hunt and arrest at least 80 leaders of Hanchongnyon, the national student organisation behind the demonstration, on charges of subversion.

A total of 5,600 students connected with the demonstration have been detained since the protest began, with most of them expected to be released.

Student demonstrators had wide support during the military dictatorship in the 1980s, but they have little public sympathy now in a more democratic society. One survey revealed that 80 per cent of South Koreans supported the police crackdown.

Students appeared to be motivated by youthful rebellion and a naive nationalism that views North Korea as an embodiment of true Korean values uncorrupted by Western influence.

Opposition parties condemned the student violence, but some politicians criticised the police for using unnecessary force. Mr Chon Jong-bae of the main opposition party, the National Congress for New Politics, accused the government of stifling public discussion of inter-Korean relations.

But the move may benefit Mr Kim Young-sam, South Korean president, by appealing to conservative voters as he prepares to pursue a conciliatory policy with North Korea.

Editorial Comment, Page 11

## THE LEX COLUMN

# On top down under

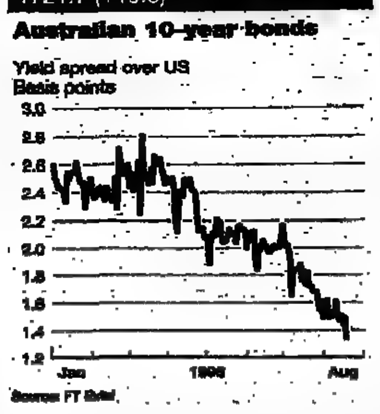
The large demonstration outside Parliament House in Canberra on Monday should not stand in the way of prime minister Mr John Howard. Australians loathe comparisons with their Kiwi neighbours across the Tasman Sea, but he is clearly intent on delivering to Australia some of the radical economic medicine New Zealand has taken over the past decade. The forces set against him do not look an adequate match.

There was little new in yesterday's budget, which had been widely telegraphed – A\$4bn in spending cuts, with the deficit forecast at just over 1 per cent of GDP for 1996-97. The deficit figure looks good, but must be set against the dismal state of household savings. This requires Australia to borrow offshore, and run a current account deficit. The budget seeks to remove these constraints on growth.

There was some disappointment that the government did not go further, but markets have generally been kind to Mr Howard. The long bond spread over US Treasuries has narrowed from 270 basis points to 135 over the past six months. And both short and long rates are lower than in New Zealand. Partly this reflects political risk ahead of the October elections in New Zealand, but investors are also rewarding the Reserve Bank of Australia for deft monetary policy. Mr Howard hopes that his fiscal virtue will allow lower interest rates. First he will have to get the budget through the Senate, where he lacks a majority. Any delay here will provide investors with the excuse to take profits.

FT-SE Eurotrack 200: 1721.7 (+10.3)

Australian 10-year bonds




Source: FT Extel

### BSkyB

The last few months have gone swimmingly for BSkyB. The satellite broadcaster has seen off the immediate competitive threat in the UK pay-television business by renewing the rights to Premier League football until 2001; it has emerged with barely a slap on the wrist from the UK anti-trust authorities; and it has muscled its way into the German pay-TV market in an alliance with the Kirch Group. The value of its near-monopoly was amply demonstrated yesterday when it reported a 56 per cent boost in earnings per share.

But if BSkyB's shares – which have risen sharply in recent months – are to make much more headway, two things are needed. First, investors must be persuaded to ignore the start-up losses on its German venture, which will mean that the group will show precious little earnings growth in the current year. Looking to the future, though, analysts argue it is an asset worth perhaps £1bn.

Second, BSkyB will have to show further progress on its plans for digital TV. The stock market is already forecasting substantial earnings from showing blockbuster films and top sporting events on a "pay-per-view" basis. The main hope for an extra kick would be from interactive services such as home banking, betting and shopping. BSkyB has so far revealed little of its plans in this area. But it is hoping to secure a deal where partners pay for the cost of the boxes required to receive the services while giving it a share of the revenues. If BSkyB pulls that off, its share price rise could enjoy another leg.

### Orange

What is going to get the UK cellular market racing ahead again? According to Orange, all that is needed is more clarity from rivals in explaining to customers what they pay. It professes to be unconcerned by the marked deceleration in the market's growth since the start of the year. After all, if one looks at gross connections – before allowing for those customers who stopped taking a mobile service – the market is still expanding.

Orange, whose share price is languishing below the level at which it was floated in the spring, naturally wants to reassure investors. But the argument that one should look at gross rather than net connections is specious: what matters is how fast one's customer base is growing.

One also needs to take with a pinch of salt Orange's boast of a lower "churn" rate – the proportion of customers who drop off its network – than its rivals. That is only to be expected since its customers are relatively new and so are still locked into long-term contracts.

Over the past year, Orange's marketing edge over its rivals has largely been closed. Something extra is now needed both to re-establish that lead and to get the market moving. The risk is that clarification of tariffs will not be enough; price cuts may be needed.

All this emphasises the difficulties of operating in the relatively mature and competitive UK cellular market. Vodafone, which has exposure to faster-growing international markets, looks the better bet.

### Thistle Hotels

Any business with a pedigree like Thistle Hotels (née Mount Charlotte), whose parents have included traders like Mr Jim Slater and Sir Ron Brierley, will attract a degree of suspicion. And in this case, it is probably merited. This is not because Brierley Investments is making a killing from the likely £1.1bn to £1.3bn valuation for the upcoming flotation. At the lower price, Brierley would barely cover interest costs on its six-year investment. The problem is that Thistle's earnings figures flatter it to a similar degree as did the UK hotel company's asset values, before yesterday's embarrassing downward revaluation.

With a tax rate near zero, and a depreciation and maintenance charge against profits that is far lower than other UK hotel companies, Thistle's price-earnings multiples will inevitably look better than its peers. But on a multiple of enterprise value (market capitalisation plus debt) to earnings before interest, tax, depreciation and amortisation,Thistle looks more expensive even at the lower end of its price range.

It deserves a decent valuation. The group has a strong portfolio, with a higher concentration in the buoyant London hotel market than any UK rival. This will underpin asset values during the next downturn, due to the lack of new hotel construction in the capital. But Thistle may be getting a little greedy – and that looks risky, given competition from the imminent £650m share offer from Lonrho's Princess Metropole Hotels.

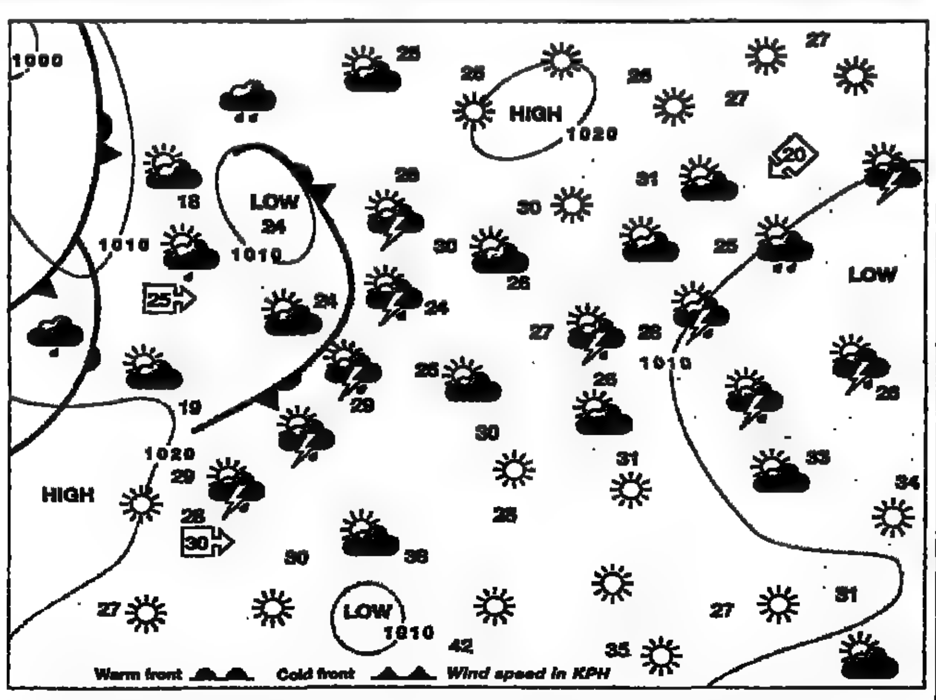
## FT WEATHER GUIDE

### Europe today

A front accompanied by rain and thunder storms will extend from the Netherlands across Switzerland towards the west coast of Spain. Western France will have sunny periods with thunder showers in the east. Western Spain and Portugal will be partly cloudy. Italy will be settled with only a few clouds. The Balkan states will be sunny. Most of the Black Sea area will have scattered thunder showers. High pressure over Scandinavia will promote sun in Sweden and Finland as well as in Poland.

### Five-day forecast

A frontal zone moving east from the Benelux will cause rain in Germany and Poland. Another front arriving from the Atlantic will bring more rain to western Europe. Most of the Mediterranean will be fair.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | Beijing | cloudy 30 | Caracas | thund 33 | Faro | sun 25 | Madrid | fair 29 | Rangoon | rain 30 |
| | Celsius | Belfast | shower 20 | Cardiff | shower 23 | Frankfurt | shower 27 | Majorca | shower 30 | Reykjavik | fair 14 |
| Abu Dhabi | sun 45 | Belgrade | fair 23 | Casablanca | fair 24 | Geneva | thund 26 | Malta | sun 29 | Rio | fair 26 |
| Accra | thund 27 | Berlin | sun 26 | Chicago | fair 31 | Gibraltar | sun 28 | Manchester | fair 27 | Rome | sun 30 |
| Algiers | fair 30 | Bermuda | thund 30 | Cologne | shower 24 | Glasgow | shower 24 | Manila | rain 34 | S. Frsco | sun 22 |
| Amsterdam | shower 25 | Bogota | thund 16 | Dakar | cloudy 31 | Hamburg | fair 29 | Melbourne | rain 18 | Seoul | rain 30 |
| Athens | sun 31 | Bombay | shower 31 | Dallas | sun 35 | Helsinki | sun 26 | Mexico City | thund 25 | Singapore | cloudy 30 |
| Atlanta | fair 32 | Brussels | thund 25 | Delhi | thund 30 | Hong Kong | fair 31 | Miami | fair 32 | Stockholm | sun 26 |
| B. Aires | cloudy 22 | Budapest | fair 25 | Dubai | sun 43 | Honolulu | sun 31 | Milan | fair 29 | Strasbourg | thund 25 |
| B.ham | fair 27 | C.hagen | sun 24 | Dublin | fair 20 | Istanbul | thund 25 | Montreal | sun 28 | Sydney | sun 18 |
| Bangkok | thund 35 | Cairo | sun 33 | Dubrovnik | fair 25 | Jakarta | fair 31 | Moscow | sun 29 | Tangier | fair 25 |
| Barcelona | thund 28 | Cape Town | sun 19 | Edinburgh | shower 22 | Jersey | fair 28 | Munich | shower 22 | Tel Aviv | sun 31 |
| | | | | | | Karachi | fair 34 | Nairobi | cloudy 26 | Tokyo | cloudy 32 |
| | | | | | | Kuwait | sun 48 | Naples | sun 32 | Toronto | sun 29 |
| | | | | | | L. Angeles | sun 26 | Nassau | thund 32 | Vancouver | sun 21 |
| | | | | | | Las Palmas | fair 27 | New York | thund 30 | Venice | fair 28 |
| | | | | | | Lima | cloudy 19 | Nice | thund 28 | Vienna | fair 26 |
| | | | | | | Lisbon | sun 26 | Nicosia | sun 34 | Warsaw | sun 28 |
| | | | | | | London | fair 27 | Oslo | sun 25 | Washington | fair 31 |
| | | | | | | Lux.bourg | thund 24 | Paris | fair 25 | Wellington | shower 15 |
| | | | | | | Lyon | thund 25 | Perth | shower 17 | Winnipeg | sun 24 |
| | | | | | | Madeira | fair 25 | Prague | fair 25 | Zurich | shower 23 |



FINANCIAL TIMES
# COMPANIES & MARKETS
Wednesday August 21 1996



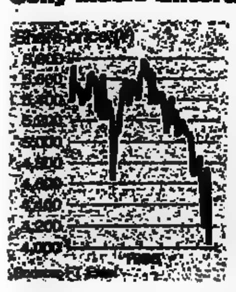


IN BRIEF

## OMV recovery loses momentum

The recovery in the fortunes of OMV, Austria's largest industrial company, came to a halt in the first six months of 1996. After a marginal increase in the first quarter, first-half group net income was unchanged at Sch1.24bn ($118m) on revenues flat at Sch37.4bn. Page 15

**Sony Music Entertainment tumbles**



Shares in Sony Music Entertainment, a subsidiary of the Japanese electronics company, plunged 11 per cent to Y4,050 after it announced late on Monday that sales in the year to next March would be 12 per cent lower than last year, at Y100.5bn. In May, it had forecast sales of Y112.8bn. Sony Music said its revision stemmed from a wide-ranging reorganisation programme adopted in April. Page 14; World stocks, Page 30

**Atlas Copco defies trend with 12% rise**
Atlas Copco, the Swedish engineering group and a stalwart of the Wallenberg industrial empire, kept up a record this year of defying a trend among Swedish exporters of falling profits by reporting a 12 per cent interim pre-tax advance from SKr1.39bn to SKr1.57bn ($236.4m). But it warned that demand in Europe remained "flat or below flat". Page 15

**Kerry Properties doubles net profits**
Kerry Properties, the Hong Kong-listed group which was recently spun-off by Malaysia's Kuok Group, reported net profits more than doubled to HK$319.44m (US$41.3m) for the six months to June 30. Kerry said it was confident of reaching its full-year target of HK$1.02bn. Page 14

**Loans drive Malayan Banking rise**
Malayan Banking, the country's largest commercial bank, narrowly exceeded analysts' forecasts with a 24 per cent rise in full-year net profits from M$863.5m to M$1.07bn (US$429.3m). It attributed the rise to improved efficiency and a steady rate of loan growth. Page 14

**Orange interim loss matches forecasts**
Shares in Orange, the UK mobile telecoms group, rose 4p to close at 190½p after it announced first-half results, the first since its flotation earlier this year, in line with its business plan and market expectations. The group reported a loss of £125.2m ($195.31m) and said subscribers totalled a net 578,000 in the first half, an increase of 194,000. Page 17

**Debswana in deal with De Beers cartel**
Debswana of Botswana, which is the world's biggest diamond producer in value terms, has signed a new five-year agreement with the international rough (uncut) diamond cartel operated by De Beers of South Africa's Central Selling Organisation. Page 20

**Companies in this issue**



**Market Statistics** http://www.FT.com



**Chief price changes yesterday**

| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| Lahmeyer | 555 | + | 11 |
| Mannesmann | 542.5 | + | 5.2 |
| **Falls** | | | |
| Degussa | 497 | - | 6 |
| Kali & Salz | 178 | - | 11 |
| Karstadt | 541 | - | 4.5 |
| Schmalbach | 274 | - | 6 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| Acme Ret | 50⅝ | + | 2¾ |
| Flores & Ricks | 31¼ | + | 1⅝ |
| Three Five Sys | 11¼ | + | 2¼ |
| **Falls** | | | |
| Cycare Sys | 49½ | - | 3¼ |
| Sun Intl Htls | 47⅞ | - | 3⅞ |
| True Nth Comm | 18¼ | - | 1½ |
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| Gt Universal | 663 | + | 23 |
| Perry Grp | 199 | + | 14 |
| Ramco Engy | 641 | + | 34 |
| Shield Dgnstc | 145 | + | 15 |
| **Falls** | | | |
| Active Imaging | 110 | - | 18 |
| Wace Group | 142 | - | 10 |
| **TORONTO (C$)** | | | |
| **Rises** | | | |
| Cinram Ltd | 28.75 | + | 1.35 |
| Cognos Inc | 31.5 | + | 1.0 |
| Guyanor RSC B | 15.5 | + | 1.25 |
| **Falls** | | | |
| Beamscope Can | 8.9 | - | 0.85 |
| Can Fracmstr | 5.7 | - | 0.8 |
| Saturn Inc | 9.25 | - | 0.8 |

| | | | |
|---|---|---|---|
| **PARIS (FFr)** | | | |
| **Rises** | | | |
| Accor | 835 | + | 16 |
| BIC | 732 | + | 22 |
| Damart | 3873 | + | 53 |
| Elf Aquitaine | 376.9 | + | 12.7 |
| LVMH | 1140 | + | 36 |
| **Falls** | | | |
| Technip | 434.9 | - | 10 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Brother Ind | 610 | + | 21 |
| Cosmo Oil | 657 | + | 25 |
| Janome Sewing | 369 | + | 19 |
| **Falls** | | | |
| Godo Shusei | 585 | - | 15 |
| M'bishi Paper | 585 | - | 22 |
| Yasuda T&B | 580 | - | 18 |
| **HONG KONG (HK$)** | | | |
| **Rises** | | | |
| HK Telecom | 15.1 | + | 0.3 |
| Hutchison | 48.6 | + | 1.2 |
| Realty Dev A | 28.2 | + | 0.7 |
| **Falls** | | | |
| Guangshen | 3.0 | - | 0.15 |
| Mannstate | 3.5 | - | 0.2 |
| Pioneer Inds | 6.9 | - | 0.3 |
| **BANGKOK (Baht)** | | | |
| **Rises** | | | |
| Thai Glass | 125.0 | + | 10.0 |
| Thailand Iron | 72.0 | + | 6.0 |
| Union Bnk Bkk | 95.5 | + | 8.5 |
| **Falls** | | | |
| Phatra Ins | 180.0 | - | 18.0 |
| Phoenix Pulp | 67.0 | - | 7.0 |
| Thai Stny El | 135.0 | - | 10.0 |

New York and Toronto prices at 12.30pm.

# Matif considers 1998 euro move

By Andrew Jack in Paris

The Matif, the Paris futures and derivatives exchange, is considering launching euro-denominated contracts as early as 1998, ahead of the start of European monetary union the following year.

Mr Gérard Pfauwadel, head of the Matif, yesterday stressed the importance of developing new euro interest rate products for his organisation, partly in view of the breakdown of co-operation talks with his German counterparts.

In an interview with the French newspaper Agefi, he said Paris's strength lay in building on its trading in interest rate products and that a "theoretical euro contract" could be set up during 1998 once the list of countries to be included in Emu and their exchange rate for entry into the single currency were known.

His comments came after the Deutsche Börse, representing the merged Frankfurt stock and derivatives exchanges, formally confirmed last week that long-running discussions about joint projects with the French financial markets had been abandoned.

Mr Pfauwadel said the collapse of the talks was the result of the German "diktat" that electronic trading – the approach adopted by Frankfurt – was the only way forward, while the Matif still had faith in its open outcry system.

He said 23 derivatives exchanges across Europe was "too many" in a mature industry. Co-operation with the Germans had been the Matif's preferred strategy for the future, "but not at any price".

The talks had been hindered by the merger of the Frankfurt stock and derivatives markets, the decision by the Germans not to install the French electronic share trading system and the priority given by them to equities.

The Matif is attempting to play to its competitive advantages over London and Frankfurt, which it believes include the strength of its interest rate products and the fact that French equities will be traded in euros from the start of Emu.

A working group set up this spring to consider the preparations for Emu is expected to report on the development of new contracts by the end of November.

It is likely to raise the possibility of products based on both three-month and 10-year euro-denominated bonds.

While arguing that Emu was now almost inevitable, Mr Pfauwadel stressed that the Matif would continue to diversify, notably in commodities and currency products. He also said he was in talks with the French bourse about new equities derivatives.

Capital markets, Page 18

# ICI drops plan for Chinese venture

By Daniel Green in London

The UK's Imperial Chemical Industries yesterday suffered a setback in its Asian strategy when it abandoned plans to build a plant in central China to make titanium dioxide, an important ingredient in paint.

Talks with Yu Gang, a Chinese company with which the chemicals group had hoped to build the plant, collapsed after a series of disagreements. The plant would have been one of the first in China run by a multinational titanium dioxide maker. It is thought ICI had planned to invest several tens of million pounds in it.

One analyst said yesterday the collapse of ICI's joint venture was "a setback for the company but good for the industry" because of overcapacity in world titanium dioxide making.

ICI said the joint venture with Yu Gang, based at Chongqing in Sichuan province, had reached the stage of a memorandum of understanding in December 1995. Talks since then had concentrated on the specifics of the deal and matters such as due diligence.

The decision to end the talks was mutual but declined to give further details.

The company remained committed to pursuing a vigorous Asia-Pacific strategy and would continue to develop a presence in China.

ICI's Chinese paint plant in Guangzhou would continue to be supplied locally with titanium dioxide, the company said. It has started construction of a second paint plant.

Being a world power in paints is a cornerstone of ICI's business strategy. Last month it spent $2.8m buying into an existing paint manufacturing joint venture in Vietnam.

As well as paints, ICI has several chemicals manufacturing operations in China.

It also has a large titanium dioxide plant in Malaysia with a capacity of more than 100,000 tonnes a year. The Yu Gang joint venture plant was to have had a capacity of 25,000 tonnes a year, rising to 50,000 tonnes by the end of the decade.

China is a popular destination target for investment in chemicals, especially dyestuffs, by large European chemicals companies, including Bayer and BASF of Germany and Switzerland's Ciba.

# HK-listed group to raise US$52m via shares

By John Ridding in Hong Kong

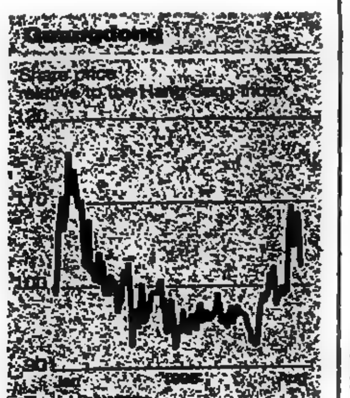
Guangdong Investment yesterday became the latest in a string of China-backed companies to raise funds, revealing plans to place 80m shares worth more than HK$400m (US$51.7m) with institutional investors.

The Hong Kong-listed company, which has interests ranging from property to infrastructure and tourism, is expected to use the proceeds for expansion in the southern Chinese province of Guangdong. This month it outlined plans to invest about HK$750m in new projects and plant expansion there.

The terms of the issue, which is lead-managed by Peregrine Capital and UBS Securities, set the share price at HK$5.22. Trading was suspended yesterday at HK$5.35. Market analysts said the placement was proceeding smoothly.

Guangdong Enterprises (Holdings), which is controlled by the government of Guangdong Province and which is the biggest investor in the company, is expected to subscribe to a simultaneous issue of new shares. It now holds just over 40 per cent of Guangdong Investment.

The fund-raising at Guangdong Investment follows similar moves by other "red chips" – China-backed Hong Kong-listed companies with substantial exposure to the mainland. China Overseas Land and



China Travel International have each placed shares worth more than HK$700m in the past month. Shougang Century, an arm of one of China's main steel producers, has also raised funds.

The flurry of activity comes amid a rise in share prices for red chips. The 30 or so companies covered by the term have seen their shares increase, on average, by about 20 per cent this year, above the rise in the broader Hang Seng index.

Mr Chong Leong, China analyst at ING Barings in Hong Kong, said this surge had prompted the companies to take advantage of market conditions and strengthen their balance sheets. However, the rush to raise cash may point towards an end of the upturn. "If they don't raise funds now they may miss the train."

An analyst at one US investment bank described the placement by Guangdong Investment as an opportunist move. "They don't face a shortage of funds." He pointed to a debt-to-equity ratio of just over 30 per cent.

"But they have signalled they are in an expansion phase so we might expect some more deals in the near future."

He said the company had three power plant and two toll road projects in Guangdong province.

# Record annual profits at BSkyB

By Raymond Snoddy in London

British Sky Broadcasting said yesterday it was on track to launch 200-300 television channels in the UK before the end of 1997 as it unveiled record pre-tax profits of £257.4m ($398m) for the year to the end of June.

Pre-tax profits rose 66 per cent, from £155.3m in the previous year.

The performance was lifted by 900,000 new subscribers during the year to take the total to 5.5m in the UK and Ireland, including both dish owners and cable subscribers.

The results were broadly in line with the market's expectations but still underlined the satellite venture's power to generate cash, largely on the back of exclusive live sports coverage.

BSkyB generated more than £300m in operating cash flow during the year and £109m debt was repaid leaving net debt of £659m compared with £1.5bn in 1993.

Revenue topped £1bn for the first time – an increase of 30 per cent. Operating profit rose 29 per cent from £245.2m to £315.1m and earnings per share rose 56 per cent from 8.7p to 13.6p.

The revenues of BSkyB, in which Mr Rupert Murdoch's News Corporation has a 40 per cent stake, have increased 430 per cent in five years.

Mr Sam Chisholm, BSkyB's chief executive, said yesterday that the growth in subscribers, the increase in the number of channels and the renewal of the Premier League football contract until 2001 provided a firm base from which to pioneer the development of digital television in the UK.

BSkyB announced in autumn 1995 that it would launch seven channels or programme services and recently announced the addition of 11 services this autumn, including seven in a joint venture with Granada.

The new package, including a £2 increase in monthly subscription rates for the most expensive package from £24.99 to £26.99, will contain a total of 40 channels by October.

A third Sky sports channel has already been launched to be followed by Sky 2, a second general entertainment channel, the Warner Channel and the Weather Channel.

BSkyB has not yet delivered on plans to launch an arts channel.

Mr David Elstein, head of programming, said that although there had been talks on the issue with their German partners, the Kirch group, "it just never reached the top of the list".

Mr Chisholm forecast yesterday that "lots of people" would want to come into the digital satellite market but said he had no plans to enter the digital terrestrial market "at this stage".

The government has been promoting the idea of digital terrestrial television which could offer about 20 new channels without the need for satellite dishes.

Mr Chisholm said he intended to continue offering BSkyB's existing analogue service alongside the new digital channels.

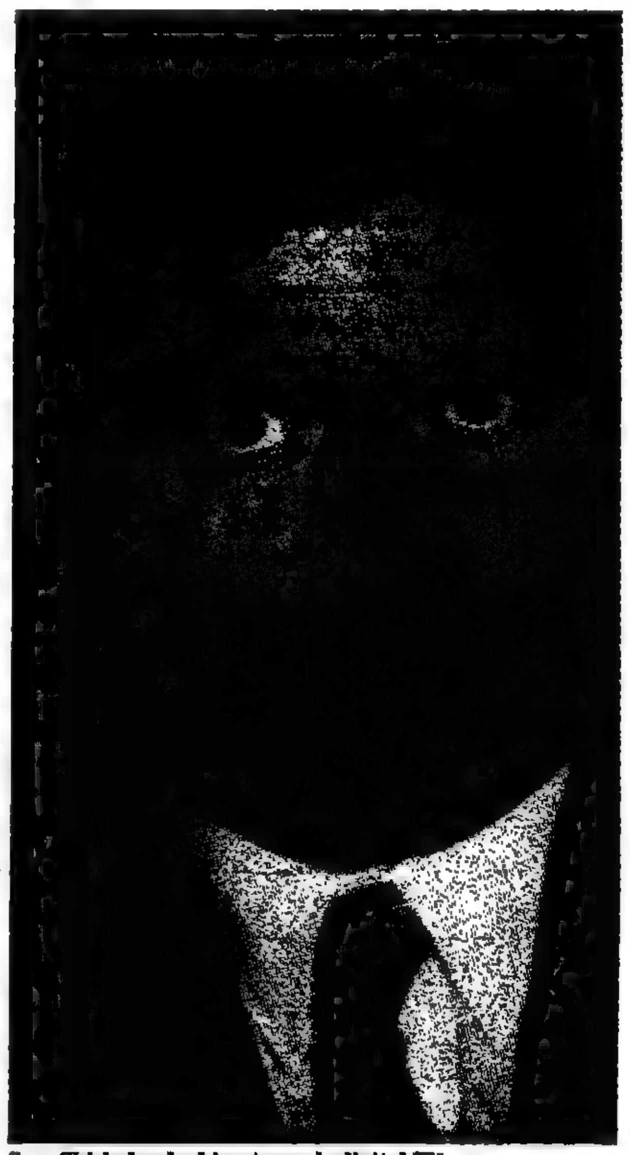
For a small additional charge viewers would be able to use their existing equipment to feed a second television set.

The company is paying a final dividend of 3p making 5.5p for the year.

Although BSkyB increased its advertising revenue during the year by 20 per cent to £110.4m, subscription revenue dominated the business and accounted for £849.4m. A total of £727.6m came from the direct-to-the home (dish) market, a rise of 25 per cent, but the growing cable television market showed a 63 per cent rise to £121.5m.

In London, BSkyB's share price fell 3p to 585p.

Lex, Page 12



Sam Chisholm: looking towards digital TV Picture: Trevor Humphries

# SAS cautious on full year as first half stagnates

By Greg McIvor in Stockholm

Scandinavian Airlines System yesterday said profits in the first six months had stagnated and full-year earnings would fall short of last year's level.

First-half pre-tax profits were only fractionally ahead at SKr1.05bn ($152m), against SKr1.04bn, despite a 7 per cent increase in passenger traffic and the first synergies from a joint venture with Lufthansa, the German carrier.

SAS, partly owned by Swedish, Norwegian and Danish interests, blamed the strength of the krona for a fall in second-quarter operating profits from SKr1.1bn to SKr830m. The reverse continued a trend from the first quarter, when operating earnings slid back as sales growth stalled and operating costs increased.

Mr Jan Stenberg, SAS chief executive, said full-year profits before fixed asset sales would be "somewhat weaker" compared with last year's record SKr2.6bn.

Moreover, market prospects were hard to assess due to anticipated competition from new players on the triangle between the three Scandinavian capitals, and on some European routes.

Braathens Safe, the domestic Norwegian carrier, is to start flying between Oslo and Stockholm in October. Meanwhile, Virgin, the UK airline, is launching services to Brussels from Copenhagen, Oslo and Stockholm. SAS said it was geared up to meet the competition.

Group sales fell from SKr17.7bn to SKr17.4bn and operating profits slipped from SKr1.6bn to SKr1bn, partly reflecting costs incurred by a shortage of pilots which forced the cancellation of some flights.

However, SAS said it had recruited new pilots to cover the shortfall.

Earlier this year SAS overcame misgivings from competition authorities in Brussels over its domination with Lufthansa of some routes between Scandinavia and Germany.

Under the co-operation agreement with Lufthansa, launched this year, the two companies pool flights between their home markets, co-ordinate other routes and co-operate in other services. SAS said the alliance had performed in line with expectations.

Air traffic covered by the joint venture increased 11 per cent, while the number of seats rose 6 per cent.

SAS said its ratio of full-fare passengers recovered in the second quarter after a first-quarter fall, indicating a generally more buoyant air travel market.

Traffic increased by 7-10 per cent on all routes, except Danish and Swedish domestic lines, where the decrease was 1 per cent and 4 per cent respectively.

Overall growth was in line with the average of European airlines, SAS said.

Unit operating costs increased 5 per cent following increases in fuel prices and the feed-through of pay increases agreed last year and earlier in 1996.

# Kerry Properties doubles net profits

By Louise Lucas in Hong Kong

Kerry Properties, the recently spun-off unit of Malaysia's Kuok Group, yesterday reported net profits of HK$319.44m (US$41.3m) for the six months to June 30, more than double the HK$156.74m for the same period last year.

The company, which listed on the Hong Kong Stock Exchange two weeks ago, has been treated, with its subsidiaries and associates, as a continuing group. The results have been prepared as if it had been the holding company during the six months to June 30, rather than since July 19, when the reorganisation was completed.

Kerry Properties has a diverse portfolio of property assets ranging from godowns, or warehouses, to luxury residential properties. It is also involved in infrastructure projects in Hong Kong and China. The company is confident of reaching its forecast full-year profits of HK$1.02bn, as most property sales will be booked in the second half.

Earlier this month a consortium led by Kerry Properties and Sino Land, another Hong Kong-listed property company, won the contract for the HK$12bn second-phase property project at Tai Tok Tsui station, on the railway to the colony's new airport. The development, comprising gross floor area of around 2.9m sq ft, will include housing, offices and shops.

Mr Kuok Khoon-chen, chairman, said Kerry expected to take part in similar developments. Hong Kong's programme of developing around the new airport link, added to ongoing reclamation of the harbour, will provide opportunities until 1998, when the airport itself will be completed.

In terms of rentals, the group's existing 11 godowns were almost all fully occupied, and directors are confident of letting three new godowns now under way or about to be developed. Godowns will remain an important plank of Kerry Properties, with more sites being acquired as opportunities arise. The company also plans to expand its land bank in the big cities of China.

Earnings per share for the six months to June 30 were 37.58 HK cents, more than double last year's 18.44 cents at the interim. There is no interim dividend.

● Li & Fung, one of Hong Kong's oldest trading companies, announced a 19.8 per cent rise in net earnings for the six months to June 30, from HK$84.24m in the same period last year to HK$100.9m. In spite of the tough export environment, earnings per share rose 15.79 per cent, from 15.2 cents last year to 17.6 HK cents.

Turnover soared 85.3 per cent from HK$2.81bn to HK$5.21bn following the acquisition of Dodwell Group, a former competitor. Mr William Fung, managing director of Li & Fung, said the integration of Dodwell had been completed.

# Inti slides to Rp19bn deficit as prices fall

By Manuela Saragosa in Jakarta

Inti Indorayon, the Indonesian pulp and rayon fibre producer in which New York-listed April has a majority stake, said it recorded a net loss of Rp18.7bn ($8m) in the first six months of this year, compared with a net profit of Rp89.2bn in the same period last year.

The loss followed a fall in the prices of its products.

Production levels in the first half also fell sharply after the company shut down for two weeks of maintenance.

Most of the loss came in the first quarter, for which Inti Indorayon registered a Rp16.2bn net loss.

Net operating revenues fell from Rp320.9bn in the year earlier period to Rp164.9bn "due to lower prices realised for both paper pulp and rayon fibre and reduced sales volume for paper pulp," the company said. The average sales price for paper pulp dropped by 51 per cent while tonnage sold was almost halved.

Inti Indorayon, one of the few companies in the world able to switch production between paper pulp and dissolving pulp, said it remained committed to becoming an integrated rayon fibre producer. To meet that goal it must produce its own dissolving pulp; most of the 19,466 tonnes of dissolving pulp it manufactured in the first half was used by the company's own rayon fibre plant.

The company is working to increase its dissolving pulp capacity to 180,000 tonnes before the end of the year.

Inti, which says it can switch production over a period of 24 hours, switched back to paper pulp production following a recovery in prices in the second quarter.

# Loans strength drives growth at Malayan bank

By James Kynge in Kuala Lumpur

Malayan Banking, the country's largest commercial bank, yesterday attributed a healthy rise in full-year earnings to greater efficiency in its operations and a steady rate of loan growth.

Group net profit rose 24 per cent from M$863.5m to M$1.07bn (US$429.3m) in the year to June 30, narrowly exceeding analysts' forecasts. Pre-tax profit climbed 22 per cent from M$1.48bn to M$1.8bn. Earnings per share jumped from 76 Malaysian cents to 94 cents.

The group awarded a total dividend of 22 cents, compared with 20 cents last year.

Group net tangible assets per share were M$4.90, against M$4.11.

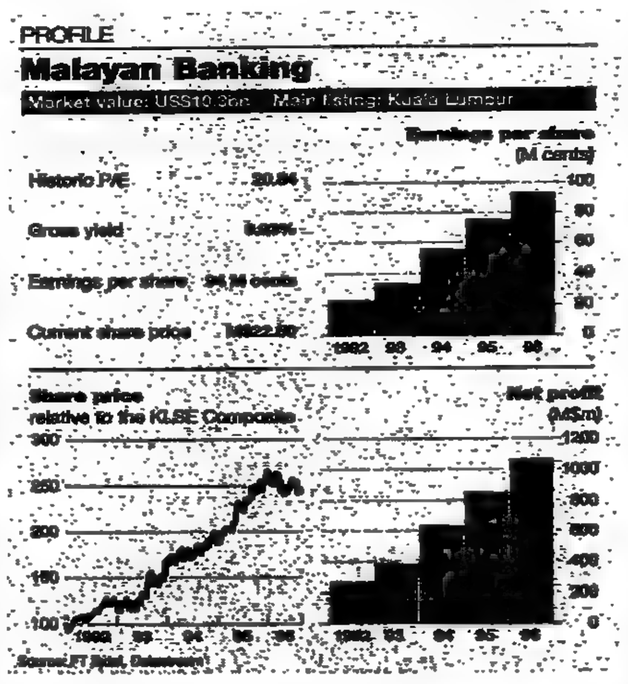
Mr Amirsham Aziz, managing director, said the industry's average loan growth during the period was about 30 per cent. Maybank achieved only half this during the year, but Mr Amirsham stressed that the bank's loan base was much broader than its competitors' and it could not be expected to match industry growth rates.

He predicted that the economy would sustain industry growth levels for the next six months. He added that demand for loans to buy consumer goods was buoyant, suggesting that a government drive to dampen consumption – and thereby reduce imports of consumer goods – may not have been entirely successful.

However, the high loan growth may not continue into 1997 because of a slowdown in Malaysia's electronics sector, he said. Many Malaysian electronics companies have cut production and frozen staff numbers, and a few have closed down.

Mr Amirsham urged the central bank to continue its relatively tight monetary policy. The bank has been nudging up interest rates this year, in part to cool an economy which grew at 9.5 per cent last year.

The government forecast for gross domestic product growth this year is 8.3 per cent.




# Reorganisation hits Sony Music

By Michiyo Nakamoto in Tokyo

Shares in Sony Music, a subsidiary of the electronics company, fell yesterday after it revised its Japanese earnings forecast for the year to March because of a large-scale reorganisation programme adopted in April.

Sony Music, the leading music software company in Japan, suffered an 11 per cent fall in its share price to Y4,050, after it announced late on Monday that sales in the year to March would be 12 per cent lower than last year, at Y100.5bn ($931m). In May, it had forecast sales of Y112.8bn.

Results for the first half were revised sharply downwards, from an initial forecast of Y10.3bn in recurring profits – before extraordinary items and tax – to Y4.3bn on sales of Y45.5bn, compared with a previous forecast of Y56.8bn. The new forecast marks a 57 per cent drop in recurring profits from Y20.9bn and a 14 per cent fall in sales in the previous year of Y114.5bn.

Since April, the company has implemented an extensive review of its operations. It has replaced more than half of its production staff and has reviewed planned software products to see if they meet market needs.

Sony has not been as successful at nurturing new talent as some other companies. The reorganisation would seek to develop young talent, the company said.

# US air fares soar to new heights

By Richard Tomkins in New York

US air fares have risen to new peaks this year as airlines take advantage of strong demand to push up prices, industry observers say.

Last week, US airlines quietly increased domestic fares by about 10 per cent on many routes, apparently in anticipation of the reintroduction of a 10 per cent excise tax on tickets.

American Express's client travel purchasing services group, which monitors air fares for its customers, said that even before the latest increases, typical published business fares had risen 11.9 per cent between January and July this year, taking them to their highest levels since before the "fare wars" of 1992.

"It's a good year for the airlines," American Express said. "They have held back on capacity and they are seeing very strong passenger demand."

Over the last few months, US airlines have enjoyed a windfall because the budget impasse in Washington prevented the renewal of a 10 per cent excise tax on air fares when it lapsed at the end of last year.

Some airlines initially cut fares, encouraging more passengers to fly, while others maintained the same fares and pocketed the unpaid tax.

According to preliminary figures from the Air Transport Association, US airlines' net profits rose 64 per cent from $997m to $1.63bn in the first half of this year, in part because the ticket tax had expired.

Yesterday, however, President Bill Clinton was due to sign into law a minimum wage bill that incorporated a renewal of the air fare tax. US airlines have therefore moved to protect profits by pushing up fares by a similar amount, even at the risk of losing customers.

Airlines believe demand is strong enough to withstand the price increases, especially since little extra capacity is coming on to the market. Competition from low-cost airlines, although tough where it occurs, is limited to specific routes.

# APN plans expansion in outdoor advertising

By John Murray Brown in Dublin

Australian Provincial Newspapers, the Australian media group controlled by Mr Tony O'Reilly, the Irish entrepreneur, is seeking to expand its outdoor advertising operations.

Unveiling half-year profits up 11 per cent, Mr Liam Healy, chairman, said APN would enter the outdoor advertising markets in Hong Kong and New Zealand later this year.

The company, which is 49 per cent owned by Mr O'Reilly through family interests and his Dublin-based newspaper group Independent Newspapers, reported pre-tax profits of A$26.4m (US$20.9m), compared with A$23.8m in the same period last year.

Total revenues – with advertising earnings accounting for 70 per cent – were up 17 per cent from A$123.4m to A$144.9m.

The newspaper business, comprising 13 daily and more than 50 non-daily titles covering Queensland and northern New South Wales, suffered sluggish growth, with sales up 5 per cent to A$100.6, contributing profits of A$17.6m.

With regional economies hit by continuing farm debt and depressed property prices, Mr Healy said advertising revenues were easily eroded by higher newsprint costs, which rose 18 per cent over the same period last year.

"Regional newspapers continued to be affected by depressed local and classified advertising volumes due to the weak overall economy," Mr Healy said.

APN's radio interests did better, with earnings up more than 30 per cent. The group's investment in Australian Radio Network contributed A$5.7m to the pre-tax profit figure.

Over the year, APN expanded its radio interests by buying a one-third stake in Radio New Zealand Commercial for NZ$89m (US$61.4m), and two Adelaide radio stations for A$29m.

Mr Healy said the purchase of 5AD-FM and 5DN-AM in Adelaide would enhance earnings in the first year.

APN controls 90 per cent of outdoor advertising in Australia since its acquisition of Buspak. The division performed better than forecast, contributing A$4.7m, or about 18 per cent of pre-tax profits. Buspak has 20,000 advertising panels on 5,000 buses in Australia. In 1995, APN acquired a 26 per cent stake in Cody Outdoor advertising.

Mr O'Reilly is understood to be considering a sale of his family's 28 per cent stake in APN to Independent Newspapers, when federal restrictions on foreign ownership of Australian media assets are lifted.

Speculation is intensifying about a renewed acquisitions spree by APN after Independent's failed bid for Westminster Press, the UK regional press group.

## NEWS DIGEST

# Virgin in S Africa radio consortium

Virgin Radio, owned by Mr Richard Branson, has joined a consortium applying for a commercial radio licence in Johannesburg. The attempt to enter the South African radio market comes as Mr Branson's Virgin airline prepares to start flights from London to Johannesburg in October. "We are very excited by opportunities in the new South Africa," Mr Branson said yesterday.

Virgin Radio International, which represents Virgin's radio interests outside the UK and Ireland, has teamed with Soweto Megalomedia and Standard Bank of South Africa. If successful, the new station would be called Virgin 96FM Jo'Burg and would target 15 to 35-year-olds "with a cross-cultural, mainstream, music format". Virgin has identified a need for a youth station in Johannesburg that can bridge the gap between black and white. Mr David Campbell, chief executive of Virgin Radio, said yesterday: "The South African broadcasting landscape is changing rapidly and we want to be part of its future."

Soweto Megalomedia is a company set up for disadvantaged South Africans. Its principal shareholder is Mr Mpumi Dakile, who would be chief executive of the new station if the consortium is awarded a licence. At the moment he is chief executive of Voice of Soweto, a leading community station.

*Raymond Snoddy, London*

## Sales up at Bharat Petroleum

Bharat Petroleum, the Indian oil refinery and petroleum distribution company, lifted sales of petroleum products in the April to July period by 9.6 per cent to 5.04m tonnes, the company said yesterday. This compared with average sales volume growth of 7.6 per cent during the period.

BPCL also said its planned issue of 15m shares would result in the government's 66.2 stake in the company being cut to 60.2 per cent. It said the timing of the issue still had not been decided. The company also plans to tap the international equity markets next year.

*Tony Tassell, London*

## Palm oil group confident

London Sumatra Indonesia, the Indonesian crude palm oil plantation company which listed in Jakarta in July, said net income in the first six months of the year rose 17 per cent on a year earlier, in spite of lower than expected sales volumes. The company said it was "confident" of meeting its full-year projections, made at the time of its initial public offering. It expects crude palm oil prices to increase in the second half of this year.

Net income in the first half totalled Rp30.7bn ($13.1m), which exceeded the company's projection in the IPO prospectus by 12 per cent. In the same period a year ago, net income was Rp25.2bn. However, the volume of crude palm oil sold in the first half rose only 6.3 per cent over 1995 levels, to 41,551 tonnes compared with an initial forecast of 43,328 tonnes. London Sumatra blamed the shortfall on "timing of deliveries".

*Manuela Saragosa, Jakarta*

## Weak prices hit Carter Holt

Carter Holt Harvey, the New Zealand-based forestry company controlled by International Paper, of the US, yesterday announced a 64 per cent fall in net profits to NZ$56m (US$38.6m) in its first quarter to June 30, from NZ$155m in the same period last year. Mr John Faraci, chief executive, said the result reflected weakness in most of the company's main product areas, including logs, timber and pulp and paper.

However, he said the result was somewhat better than the average 69 per cent fall in earnings for the same period from similar companies in the Standard & Poor's Paper and Forest Products Index. Mr Faraci said the company's problems had been compounded by the decline in pulp and paper prices, low prices for export logs and a relatively strong New Zealand dollar. A downturn in the Australian and New Zealand housing markets had also hit the company, he said. Earnings before interest and tax fell 55 per cent to NZ$61m from NZ$136m. Tax was NZ$10m against NZ$36m. Earnings from associate companies, mainly the Chilean group Copec, fell 57 per cent to NZ$32m during the quarter. *Terry Hall, Wellington*

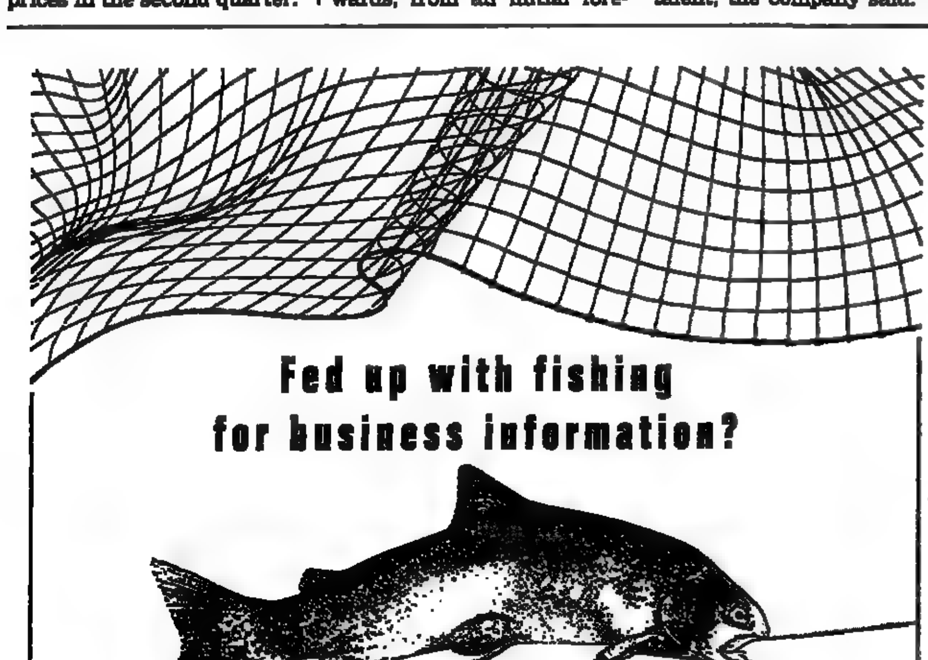
## Chosun Brewery reclaims lead

Net profits at Chosun Brewery, the South Korean brewer, fell 27 per cent to Won6bn ($7.3m) for the first half of 1996. This was in spite of an increase in market share which put it ahead of rival Oriental Brewery for the first time in 30 years.

Chosun's market share rose to 42.7 per cent, while Oriental's shrunk to 41.2 per cent as it reported a 21 per cent fall in sales to Won176.7bn. Losses at Oriental Brewery widened 92 per cent to Won74.3bn. Sales at Chosun Brewery rose 21.5 per cent to Won194.1bn, which it attributed to the continued popularity of its Hite brand, a light pasteurised beer. Before the introduction of Hite in 1993, Oriental had 70 per cent of the South Korean beer market against 30 per cent for Chosun.

Analysts said the decline in Chosun's earnings was blamed on increased marketing costs and higher financial expenses associated with the expansion of production capacity.

*John Burton, Seoul*





# Canada draws on private water groups' know-how

Water companies from the UK, US and France are streaming into Canada in the hope of benefiting from local authorities' fiscal problems.

Several municipalities have already turned to private sector contractors to help finance, operate and – in some cases – own water and sewerage systems. Many more are expected to follow.

Canada is among the few countries where local authorities are ceding control over their water systems to private contractors without policy constraints from higher levels of government.

"A lot of people are looking to Canada as a bellwether on how these projects get structured," says Mr Mike Brown, chief investment officer of a subsidiary of CH2MHill, a Denver, Colorado-based engineering group.

TAP, a consortium led by CH2 and Vancouver-based BC Gas, recently won a contract to build and operate a C$35m (US$25.5m) water treatment plant in Halifax, Nova Scotia. The group will own the plant for 20 years, when it will be returned to the local authority.

**Cash-squeezed municipalities have turned to private sector**

TAP is short-listed for a similar C$32m project in Moncton, New Brunswick, as well as plants in Manitoba and south-west Ontario.

A joint venture between the UK's North West Water and Consumers Gas, Ontario's biggest natural gas distributor, was chosen earlier this year to examine ways of averting a looming water shortage in York Region, a sprawling local authority north of Toronto.

The joint venture, known as Consumers Utilities, is also on a shortlist of three companies that may be invited to tender soon for a C$130m project to install water facilities for 200,000 future residents in Halton Region, west of Toronto.

Members of the other two prospective bidding groups include Ogden-Yorkshire Water, a US-UK partnership, and France's Lyonnaise des Eaux. Both Ogden-Yorkshire and Lyonnaise des Eaux have recently set up offices in Toronto.

Canada's local authorities have traditionally financed water and sewerage projects from tax revenues and debt issues. But they increasingly find themselves squeezed between shrinking transfers from higher levels of government, and ratepayers opposed to further tax rises. The stagnant – or even falling – revenue base has also impaired municipalities' ability to tap debt markets.

As Mr Doug Scott, a municipal engineer in Thunder Bay, Ontario says: "The driving force [in private sector participation] is the need for finance and risk assumption." Eight private sector groups, including several European and US companies, recently expressed interest in building two water and sewerage plants in Thunder Bay.

Municipal officials have also been attracted by the lower costs and speedier construction times promised by private sector bidders. Moncton expects to save 15–20 per cent on its new treatment plant.

**Bernard Simon**

# NEWS DIGEST

## Viag optimistic despite 21% drop

Interim operating profits at Viag, the German industrial conglomerate, fell 21 per cent to DM1.18bn ($793m) in the six months to June, but the group said it was "confident" full-year results would "at least match last year's result – excluding special factors". The Munich-based group said the lower half-year operating profits were caused by the lack of extraordinary items such as last year's sale of the PWA paper subsidiary and the flotation of SKW Trostberg, Viag's chemicals subsidiary.

Adjusted for disposals and acquisitions since last year, Viag's group sales rose 1 per cent in the first six months of 1996 to DM21.8bn. AmeriQuest, the US distributor of personal computers, was the only significant addition to companies consolidated within the group, Viag said. The results were in line with group expectations. It said: "Economic sluggishness of the winter months took its toll on Viag's cyclical business activities, but the first signs of recovery can already be seen in some areas."

Sales declined in the aluminium and rolled products activities of VAW, the aluminium producer, and at Klöckner & Co's steel trading activities. However, sales were substantially higher at Bayernwerk, the group's electricity division, and at the nature products division of SKW Trostberg, the company said. Turnover also rose at Schmalbach-Lubeca's beverage packaging operations and at Computer 2000, Europe's biggest computer wholesaler.
*Michael Lindemann, Bonn*

## Holzmann faces more losses

Philipp Holzmann, the German construction company, yesterday warned it would continue to show an operating loss in the current year, after reporting heavy losses in 1995 because of lower property valuations in Germany. The company said revenues were down 4.6 per cent in the first six months to DM5.94m, partly because of the harsh winter in Germany.

Holzmann told shareholders that difficulties experienced in the first three months could be offset only if the company worked at near full capacity for the rest of the year. The company pledged to continue wide-ranging efforts to strengthen its financial base after last year's losses, aiming to improve liquidity and reduce debts. For the current financial year, Holzmann is aiming for a break-even net profit by liquidating unspecified hidden reserves.

The first six months were characterised by seasonal losses relating from the harsh weather and new investment losses, resulting in an operational loss of its building division. The company said the energy and environment decision had a good year, with turnover up 25.3 per cent.

Holzmann estimated construction volumes would decline further in 1997 in Germany and Europe, but planned to compensate for the fall in European business through increasing activity in the US and Asia. Foreign business' share of the group total rose from 32 per cent to 37 per cent. New orders were down by 2.3 per cent to DM7.8bn. Staff numbers rose 8.4 per cent to 51,500.
*Wolfgang Münchau, Frankfurt*

## Adia clears merger with Ecco

Shareholders of Adia, the Swiss-based temporary employment agency group controlled by Mr Klaus Jacobs, yesterday gave the go-ahead to the group's merger with Ecco, its French rival, and cleared the way for the creation of the world's second-biggest employment agency, after Manpower of the US. The new operation, which will be known as the Adecco Group, will have combined revenues of SFr7.7bn ($6.4bn) and an 8 per cent share of the world market.

Mr Philippe Foriel-Destezet, Ecco's founder, will be the biggest shareholder in the combined group with a 28 per cent stake, followed by Mr Jacobs whose family controlled business, Klaus J. Jacobs Holding, will own 22 per cent.

Mr Jacobs and Mr Foriel-Destezet will rotate the job of chairman on an annual basis. Analysts have reacted positively because the businesses complement each other, and Adia's shares have risen by 28 per cent, to SFr339, since early May.
*William Hall, Lausanne*

## National Mutual lifts Axa

The integration of its new Australian subsidiary, National Mutual, helped lift turnover at Axa, the French insurance group, by nearly a quarter to FFr81.9bn ($16.1bn) in the six months to June 30. Life assurance revenues rose 34.9 per cent to FFr42.7bn, but included a jump in the Asia-Pacific region from FFr217m in last year's first half to FFr8.3bn, after the integration of National Mutual for the first time.

The UK reported a 9.1 per cent rise to FFr3.9bn after two years of decline. There was a jump of 16.1 per cent in life assurance revenues in Europe and 4.8 per cent in its North America division. Non-life insurance rose 3.4 per cent to FFr15.4bn, including a 9.7 per contribution from Europe and 4.8 per cent from North America, offset by a 16.7 per cent decline to FFr134m in Asia/Pacific. Income from Axa's financial services activities rose 21.5 per cent to FFr17.5bn.
*Andrew Jack, Paris*

## Swiss rail sale to raise SFr33m

The two biggest shareholders in Switzerland's Jungfraubahn are raising SFr33m ($27.3m) from the sale of a 25 per cent stake in the company, which operates Europe's highest railway. The shares, which will be listed in Zurich on August 29, are being sold in a secondary public offering at a substantial discount to their book value.
*William Hall*

# OMV recovery halted by second-quarter slip

**By William Hall in Zurich**

The recovery in the fortunes of OMV, Austria's largest industrial company, came to a halt in the first six months of 1996. After a marginal increase in the first quarter, first-half group net income was unchanged at Sch1.24bn ($118m) on revenues flat at Sch37.4bn.

Earnings before interest and tax (EBIT) fell Sch92.6m to Sch1.51bn in the first half. Pre-tax profits rose from Sch1.5bn to Sch1.56bn as a result of a contribution from financial items. However, the after-tax figure was unchanged owing to an increase in the tax charge.

OMV, which is one of Europe's biggest energy companies, described its performance as "satisfactory" given the economic slowdown and the harsher business climate, particularly in the petrochemicals and plastics markets. The group said it continued to benefit from its recent restructuring and believed full-year profits would reach the same level as last year, when it reported net income of Sch1.73bn. Analysts' estimates for OMV's first-half EBIT had ranged from Sch1.25bn to Sch1.7bn.

Expectations of weakness in OMV's refining and plastics businesses were borne out by the results. Refining sales, which account for more than half of OMV's revenues, rose 2 per cent in the first six months but the contribution to group EBIT fell from Sch420m to Sch100m.

The performance of both refineries was hit by weaker petrochemical prices. Schwechat, OMV's most important refinery, made a loss in the second quarter after restructuring costs.

Meanwhile, plastic sales fell by 9.3 per cent and the first half contribution to EBIT dropped from Sch410m to Sch240m.

However, OMV's marketing operations swung into profit in the first half of 1996 in spite a 6 per cent drop in Austrian consumption owing to the effects of the increase in petroleum tax. The company increased its domestic market share to 34 per cent and said its international filling station network continued to expand. Exploration and production operations also moved back into profit in the first half, helped by higher oil prices and the effects of earlier restructuring.

A solid performance from OMV's gas operations continued to underpin the overall result, with EBIT unchanged at Sch910m, some 60 per cent of the group total, in spite of a 3 per cent drop in sales to Sch5.36bn.

# Atlas counters trend with 12% jump in profit

**By Hugh Carnegy in Stockholm**

Atlas Copco, the Swedish engineering group, has beaten the trend among Swedish exporters of falling profits, by posting a 12 per cent increase in the first six months of this year. But it warned that demand in Europe remained "flat or below flat".

Pre-tax earnings at Atlas, a leading maker of compressors and power tools and a stalwart of the Wallenberg industrial empire, rose in the first half from SKr1.39bn to SKr1.57bn ($236m).

Earnings per share rose by 15 per cent from SKr4.84 to SKr5.57, and Atlas shares rose SKr1.50 yesterday to close at SKr119.50.

The result was bolstered by a net SKr127m one-time gain, but still contrasted with the performance of many internationally-based Swedish companies, which have suffered reverses in profit of between 20 per cent and 60 per cent in the first half because of weak demand in Europe and adverse currency movements.

Mr Michael Treschow, chief executive, said Atlas had also been hit by these trends, but had managed to sustain margins by other means. "This is very much due to cost and productivity improvements," he said.

He stood by a forecast that full-year earnings would be ahead of last year's SKr2.66bn pre-tax profit, but said this was in spite of continued slack demand.

Mr Treschow said the number of new orders had declined in the first half in important European markets such as Germany and the UK, and that there were signs of deterioration in Spain and Italy. He added: "I see signs that Germany might have bottomed out. But it is very fragile. I am sure the UK is going to improve but France is very uncertain. All in all, Europe is flat or below flat and I do not expect any dramatic changes this year."

Atlas reported an increase in group sales from SKr11.7bn to SKr12.4bn in the first half, in spite of the stronger krona. But it said that sales were down 6 per cent on a comparable basis.

Michael Treschow: European demand remains flat

The group also said it had decided to amortise SKr3.1bn in goodwill relating to its acquisition last year of Milwaukee Electric Tool corporation of the US over a period of 40 years, instead of 20 as recommended by the Swedish accounting standards council. It said that this was in line with US practice.

# Trelleborg falls sharply and issues warning

**By Greg McIvor in Stockholm**

Trelleborg, the Swedish mining, metals and rubber group, reported first-half profits almost a third lower and warned that earnings in the second six months would fall further.

The company said the depressed price of copper, combined with slack business activity in Europe, would drive second-half profits below interim levels, with economic conditions unlikely to improve before mid-1997.

Pre-tax profits in the first half slid from SKr954m to SKr657m ($99m) and sales fell from SKr10.8bn to SKr10.5bn. The figures were below most analysts' expectations and Trelleborg's B shares fell SKr1 to SKr85.

Trelleborg blamed a weak economic cycle and the appreciation of the krona for the deterioration, which accelerated in the second quarter after a 26 per cent decline in pre-tax profits in the first three months.

Revenues from copper – which represents one-third of Trelleborg's mining activities – fell sharply after revelations in June of price-rigging by Sumitomo Corporation, the Japanese trading house, triggered a sharp price fall. Trelleborg said the drop would have a full impact in the third quarter.

Group operating earnings after depreciation were SKr511m, against SKr721m, and margins fell across Trelleborg's three business areas. The company said SKr102m of the SKr210m decrease was explained by restructuring gains in the year-ago period.

Operating profits in the mining and metals division slipped from SKr317m to SKr296m, but sales declined only marginally, from SKr4.3bn to SKr4.28bn. The main disappointment was the distribution unit, where operating earnings halved from SKr283m to SKr141m.

Mr Kjell Nilsson, Trelleborg chief executive, predicted zinc and lead prices were set to rise, and the group would be looking to make acquisitions following its $1bn disposal of a 28 per cent stake in Canada's Falconbridge mining concern last year.

# Unidanmark up 18% at halfway

**By Andrew Arnold in Copenhagen**

Unidanmark, the Danish banking group, posted first-half profits up 18 per cent on the same period of last year, at DKr1.27bn ($221m).

The rise was above analysts' expectations and resulted from higher net interest and fee payments, which rose DKr111m to DKr4.43bn.

Total assets rose DKr66.9bn to DKr297.2bn, while loans and advances rose 29.6 per cent to DKr158.8bn.

In spite of this, net interest income – the amount earned on loans to commercial and retail customers – remained flat at DKr3.58bn. Lack of growth in this area puts Unidanmark in line with other Danish banks.

Dividend income grew DKr13m to DKr104m, while net fees and commissions on securities trading rose 86 per cent to DKr749m.

Mr Gert Aage Nielsen, chief financial officer, said the bank was becoming more reliant on other sources of earnings, such as fee income from charges for cheques. He said about 10 per cent of earnings came from securities.

The contribution of DKr354m from foreign exchange and securities had helped in the first half, but it would be hard to keep the total steady for the next six months, he said.

"The competitive situation has been tough in the first half-year and there has been a drop in interest rates. The full effect of the narrowing of the margin will be seen in the second half."

Net interest earnings and operating profits in the second half are expected to be lower than the DKr7.32bn and DKr1.26bn, respectively, posted in 1995.

Costs were steady, in spite of a fall in staff numbers. An efficiency drive at Unidanmark headquarters is expected to realise savings of between DKr300m and DKr350m, or half of head office costs.

Unidanmark's mortgage arm, Unikredit, performed strongly, increasing loans DKr16bn to DKr30.3bn.

Commercial lending accounted for DKr2.9bn of this, up from DKr400m at the end of the first half of 1995.



# Wella disclosure surprises analysts

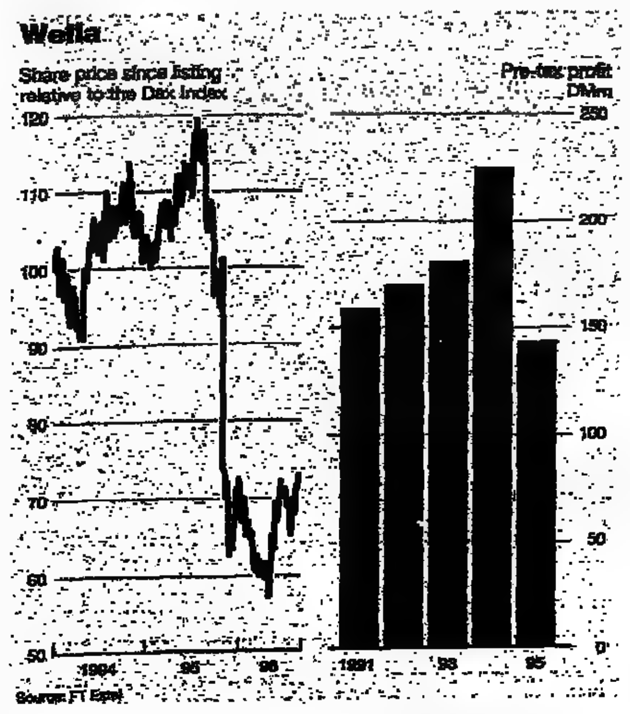
**By Sarah Althaus in Frankfurt**

Wella, the German haircare and personal products group which last year suffered a sharp drop in earnings, yesterday surprised analysts by revealing that last year's interim pre-tax profits of DM83m had been lifted by extraordinary gains of DM35m.

The group, which gave an upbeat forecast for the current year after announcing a 25 per cent rise in operating profits to DM61m ($41m) for the first half, said a smoother than expected restructuring at its Muehlens unit, best known for its 4711 eau de cologne brand, had meant that provisions were no longer needed.

Interim pre-tax profits for 1996 showed a near 27 per cent decline to DM61m compared to the stated DM83m.

The market was unimpressed and the preference shares closed DM12 lower at DM891. "It is always worrying when companies suddenly pull extraordinaries out of the hat," said Mrs Christine Dienhart, an analyst at Vereinsbank Research in Munich. "It puts last year's pre-tax profit of DM143m in a different light."




Group sales grew 11.3 per cent from DM1.6bn to DM1.8bn in the first half, compared with an average increase of less than 3 per cent in the global market. Including non-core activities, revenue rose 12.2 per cent.

Group sales for 1996 were expected to rise between 7 per cent and 10 per cent, with earnings likely to grow at a stronger pace, it said.

Sales of professional haircare products, by far the group's largest market, exceeded the company's expectations, increasing 8 per cent. Revenue was also better than forecast in its retail business, rising 21.3 per cent. Successful scent and cosmetic launches lifted sales 12.4 per cent in that division, in spite of a downturn in the market overall.

Wella is still recovering from a collapse in profits last year, when net earnings fell 48 per cent after being hit by weak markets, the D-Mark's strength and a botched reorganisation. Its then chairman, Mr Peter Zühlsdorff, was replaced by Mr Jürg von Craushaar, after what was understood to have been a clash with Wella's family shareholders over Mr Zühlsdorff's ambitious expansion strategy.

# Thistle plans £500m-£700m public offer

By Scheherazade Daneshkhu

Thistle, the UK's second largest hotel company, is planning a public offer of £500m-£700m (up to $1.09bn), of which £250m will be new money.

While the company is encouraging the view that its value will be as high as £1.5bn, most analysts put it in the £1bn-£1.3bn range.

Thistle said it would use the new money initially to reduce its £638.5bn of net debt.

In the next three to four years, some £120m will be funnelled into an expansion programme to add 2,000 rooms to the 13,500 existing stock.

There will be a book-building exercise in September, with the flotation likely in early October, soon after that of Lonrho's Princess Metropole hotels, valued by analysts at £600-£700m.

Thistle yesterday also reported interim pre-tax losses of £63.7m (£12.7m profit), after an exceptional £87.8m write-down of hotels and development sites. Operating profits rose 25 per cent to £51.9m and turnover increased by 12 per cent to £146m for the 28 weeks to July 14.

It was bought by Brierley Investments, the New Zealand group, for £644m in 1990 soon after the company, then called Mount Charlotte Investments, acquired the 32-chain Thistle Hotels from Scottish & Newcastle.

Brierley Investments will reduce its 70 per cent stake in Thistle to below 50 per cent. Temasek Holdings and Government of Singapore Investment Corporation, two Singapore government agencies, will reduce their 30 per cent stake pro rata. Existing shareholders are likely to end up with 55-60 per cent of the stock.

A recent revaluation of the group's properties by Christie & Co, the surveyors, put assets at £1.69bn – £204.6m below their book value.

Mr Robert Peel, chief executive, said increasing demand had provided a favourable environment. The group was moving from lower rate tourist groups to higher spending business and leisure customers.

Average occupancy rose to 63.7 per cent and the average room rate to £54.30.

Mr Rodney Price, chairman, said the group planned to increase the number of hotels operating under the four-star Thistle brand from 51 to 70 by the end of 1998.

Brendan Corr

Robert Peel, left, with Rodney Price: plan to have 70 Thistle brand hotels by the end of 1998

# Halifax hit by competition

By Motoko Rich

Halifax Building Society, the UK's largest, suffered a sharp contraction in its core mortgage market share in the face of intense competition during the first half of the year.

The society, said its share of net mortgage lending fell to 3.1 per cent in the six months to June 30, against 12.1 per cent in the six months to July 31, the most comparable period when its year ended at January 31.

Pre-tax profits of £649m ($1.01bn) for the six months compared with £656m.

The society, which plans to convert to a public company next June, said it sacrificed market share because it had decided "not to compete actively" in the market for remortgage clients – accounting for 30 per cent of the total market – where an oversupply of lending capacity led to intense price competition.

"A lot of blood has been shed in this year's mortgage price war and we did not wish to add ours to it," said Mr Mike Blackburn, chief executive.

Halifax said net lending was also affected by borrowers' decisions to repay their mortgages faster in a lower interest rate environment.

The squeeze on its market share follows a drop in the share of the net lending market taken by Abbey National, which converted from a building society in 1989. Abbey's share fell from 4.2 per cent to 3 per cent in the first half.

Halifax was able to sustain relatively robust net interest margins, which eased slightly from 2.25 per cent in the six months to January 31 to 2.18 per cent in the first six months of 1996. By contrast, Abbey's margins dropped from 2.22 per cent in the second half last year to 2.05 per cent in the first half.

Although gross mortgage lending rose 9 per cent to £4.76bn, net lending plunged from £2.64bn in the six months to July 31 of last year to £585m in the first six months of 1996.

Mr Blackburn said there were encouraging signs that competition in the market would become more "orderly" and that genuine house buyers were returning to the market. Over the 12 months to June 30, transactions had risen 6 per cent while house prices were up 5.3 per cent in the 12 months to July 31.

Retail savings balances of £783m compared with £3.8bn in the six months to July 31 last year.

To offset the weaknesses in its core markets the group was seeking to diversify further into financial services. Its acquisition of Clerical Medical, the life insurer, will be completed at the end of this year and the group said it would be earnings enhancing in 1997.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Dividends | | | | |
| Armitage Bros | 53 wks to June 2 | 26.2 | (23.8) | 1.4 | (1.16) | 22.9 | (18.3) | 4.1 | Oct 16 | 3.9 | 7.2 | 6.8 |
| BSkyB | Yr to June 30 | 1,008 | (777.9) | 257.4 | (155.3♠) | 13.6† | (8.7) | 3 | Nov 14 | 2.5 | 5.5 | 2.5 |
| Clondalkin ♣ | 6 mths to June 30 | 133 | (119.6) | 8.93 | (7.92) | 15.36 | (13.3) | 2.396 | Oct 9 | 2.178 | - | 6 |
| Cussins Property | 6 mths to June 30 | 11.3 | (13.8) | 0.73 | (1.17) | 3.3 | (5.6) | 1.45 | Oct 2 | 1.45 | - | 3.9 |
| Glenchewton | 6 mths to June 30 | 10.3 | (7.83) | 0.536♠ | (0.104) | 1.71 | (0.35) | 0.45 | Sept 17 | 0.3 | - | 0.9 |
| Graseby | 6 mths to June 30 | 49.1 | (45.1) | 4.99 | (5.37) | 6.7 | (6.8) | 2.7 | Nov 1 | 2.7 | - | 6.6 |
| Kerry ♣ | 6 mths to June 30 | 683.4 | (580.7) | 20 | (16.5) | 10.8 | (8.8) | 1.265 | Nov 25 | 1.1 | - | 2.86 |
| Orange | 6 mths to June 30 | 255.5 | (100) | 125.2L | (88.8L) | 13L | (12L) | - | - | - | - | - |
| Perry | 6 mths to June 30 | 233.3 | (217) | 4.09 | (2.98) | 10.5 | (7.7) | 3.25 | Dec 2 | 2.9 | - | 8 |
| Takare | 6 mths to June 30 | 59 | (52) | 8.66 | (9.97) | 5.5 | (6.5) | 1 | Oct 7 | 0.9 | - | 2.8 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. †On increased capital. ♣Irish currency.

# BP sells stakes in older fields to Talisman

By Robert Corzine

British Petroleum yesterday sold its interests in three older offshore fields to Talisman, formerly BP Canada, in a deal that could accelerate the departure of North Sea pioneers from mature production areas.

No price was disclosed, but Talisman said it expected to "achieve discounted pay-out, including purchase price and future decomissioning costs, in two to three years".

Projected annual cash flow of $30m-$40m is based on an oil price of $18 a barrel for the US benchmark West Texas Intermediate, which usually trades at about a $2 a barrel premium to the UK Brent Blend benchmark.

The liability to decommission and remove the Buchan, Beatrice and Clyde platforms will be transferred to Talisman, which has already received the go-ahead from the government to assume operation of the fields.

BP's interests in the fields range from 43 to 66 per cent. The sale includes its 43 per cent share in the Nigg oil terminal in Scotland.

Both sides, however, stressed that price was not the overriding element of a deal which has been closely watched by the Department of Trade and Industry as a possible trendsetter.

The government has been keen to see specialised operators take over older fields from leading oil groups as the latter refocus their UK operations on new areas such as west of the Shetland Islands. But there has been concern that smaller companies may not have the experience or financial strength to run and decommission big offshore platforms.

Mr Jim Buckee, Talisman's chief executive, said the buy would make it one of the largest independents operating in the North Sea.

## NEWS DIGEST

# Unilever likely to lift Lyons bid

Unilever, the Anglo-Dutch consumer goods group, is today expected to announce an increased offer for the minority shares in Lyons Irish Holdings, after failing to receive sufficient acceptances by yesterday's deadline from the minority shareholders in the Irish tea and coffee distributor.

With Lyons board last week rejecting the 323.3p bid for the 25 per cent stake as "inadequate", bankers say Unilever will extend its offer in a letter to shareholders today.

The deal would give Unilever more than 60 per cent of what is Europe's third largest market enjoying the highest per capita tea consumption in the world.

Unilever acquired the 75 per cent share of LIH owned by Allied Domecq in February, paying 325p a share. Unilever must obtain acceptances from 80 per cent of the minority shareholders by value and 75 per cent by number to acquire compulsorily the remaining shares – which would allow the company to access LIH's cash reserves, which in March stood at I£48m ($76m).

*John Murray Brown*

## M&G offer for Kepit

M&G, one of the UK's leading unit trust groups, has made an offer to take over Kleinwort European Privatisation Investment Trust.

M&G, which has about £15bn ($23.4bn) under management, plans to allow Kepit investors to switch their shareholdings for units in M&G unit trusts. It believes its experience as an administrator of funds for large numbers of small investors will count in its favour. About 800,000 people invest in M&G unit trusts. Kepit has more than 70,000 shareholders, mostly private investors.

Kepit, a £500m investment trust, is currently the subject of a hostile bid from TR European Growth, which is planning to liquidate the rival trust and return the cash to shareholders, after deducting a fee. Shareholders have been demanding the fund be restructured because the shares have been trading at less than net asset value.

At Kepit's invitation, nine other investment management companies have put forward proposals to take over the trust including Kleinwort Benson, the current manager. Merrill Lynch is assessing the bids on behalf of independent directors of Kepit.

*Roger Taylor*

## Australian sale for Courtaulds

Courtaulds, the chemicals group, is selling its Taubmans architectural coatings business in Australia to Plascon, a subsidiary of Barlow, the South African industrial conglomerate, in a A$34m ($26.5m) cash deal.

Taubmans supplies coatings for professional and DIY application. Mr Neville Petersen, a director said the group was no longer comfortable with the fit.

The industrial and heavy goods coatings businesses of Courtaulds Coatings in Australasia and south-east Asia are unaffected.

## Cornhill acquires Ajax

Cornhill Insurance, the UK subsidiary of Germany's Allianz insurance group, is buying Ajax, a specialist engineering inspection and insurance company, from Norwich Union for an undisclosed sum.

Ajax has annual premium income of £23m and will be integrated with Cornhill's existing engineering portfolio to form the second biggest engineering insurer in the UK.



## LEGAL NOTICES

1996 No 142 COS

THE HIGH COURT
IN THE MATTER OF
ANGLO IRISH BANK CORPORATION PLC
AND IN THE MATTER OF
THE COMPANIES ACTS, 1963-1990

Notice is hereby given that the Order of the High Court dated 8 July 1996 confirming the cancellation of part of the Share Premium Account of the above company in the sum of IR£20,000,000.00 and the minute approved by the court showing with respect to the Share Capital of the Company the several particulars required by the above Acts were registered by the Registrar of Companies of Ireland on the 1 day of August 1996.

Dated the 19 August 1996
Signed William Fry
Solicitors
Fitzwilton House
Wilton Place
Dublin 2
8718-019-EF













## PERSONAL

# Orange upbeat as phone war intensifies

By Alan Cane

A new phase in the battle for corporate customers is set to break out among the UK's quartet of mobile phone operators. It will involve the installation of networks of miniature base stations – which receive and transmit signals from telephone handsets – within individual buildings and offices rather than on rooftops and roadside towers.

The new networks will make it possible to make and receive calls in the heart of large buildings and to use mobile handsets as cordless phones within offices.

All the UK operators – Vodafone, Cellnet, Mercury One 2 One and Orange – are experimenting with the new technology.

Mr Hans Snook, Orange managing director, said the victor in the network war would be the company which could best navigate its way through the maze of site agreements necessary to install these base stations.

Orange shares moved up 6p to 193p after interim results – the first since its flotation earlier this year – were in line with market expectations. Turnover rose from £100m to £256m, and there was a loss of £125m for the half year to June 30.

Cashflow from operations before the cost of acquiring subscribers was, at £6.1m, positive for the first time.

The Orange share price, which at one point reached 254p compared with an offer price of 205p, has been hit in recent weeks by a combination of market nervousness over high-technology stock, coupled with a belief that growth of the UK cellular market is slowing.

Trevor Humphries

Hans Snook: looking for victory in the network war

# T&N moves to exorcise the ghost

## Tim Burt and Ralph Atkins on its efforts to find a cost-effective way out of the asbestos legacy

T&N, the specialist engineering and motor components group, is to commission a detailed study on how to minimise the impact of its legacy as one of Britain's largest asbestos producers.

The company, which has seen its profits undermined in recent years by provisions for asbestos claims, has received approaches from a number of leading international insurance brokers offering new methods to curb liabilities arising from the deadly building material.

Hopes that it could soon secure fresh insurance cover have this week fuelled a 9 per cent rise in the share price, which closed yesterday up 3½p at 144p.

The market expects that T&N will shortly appoint an international broker to sift through the insurance options. The candidates are thought to include Sedgwick and the US brokers Alexander & Alexander and Aon.

Given that its minimal insurance has been virtually exhausted, moves to introduce some new cover would be a welcome fillip for a company that has paid more than £300m to settle asbestos claims in the past decade.

Although T&N predicts that such claims will gradually decline, it could still be forced to set aside provisions of up to £200m ($312m) over the next five years.

Despite some notable legal victories, T&N's continued exposure to personal injury claims in Britain and the US has undermined the share price in recent years. It is less than half its 1987 peak of 302p, relegating T&N to the Mid 250 Index, while rivals such as GKN have motored into the FT-SE 100.

Some industry analysts believe it could cost too much, for example, to insure against personal injury claims in the US, where T&N and other asbestos companies are hoping to persuade the Supreme Court to uphold the so-called Georgine Settlement.

Although the settlement was thrown out by an appeal court this year, it remains in force pending a Supreme Court decision this autumn. If upheld, Georgine promises to limit T&N's potential exposure to claims from US asbestos sufferers – its largest liability.

Nevertheless, insurance experts believe they have already put forward a range of options.

Conventional insurance products, underwritten by specialised insurers in the London or Bermuda markets, could offer cover against quantifiable losses.

Alternatively, T&N might arrange to have a larger chunk of the risks associated with asbestos transfered to an insurer, paying a higher premium which may approach the worst-case cost but which would offer greater certainty about future liabilities.

Other options could involve deals more akin to banking products – for example, some form of bank guarantee or loan facility.

Insurance advisers would also probably implement a thorough actuarial review of the group's liabilities, perhaps involving some of the advanced techniques for assessing US liability costs developed by Lloyd's of London in setting up Equitas, its new reinsurance vehicle.

Analysts suggest that T&N could buy cover for areas of relatively low risk, such as personal injury claims in the UK, where payments have not been as generous as in the US.

The company may also be able to agree a policy under which it meets claims of up to, say, £500m, and insurers cover payments beyond that to a ceiling of £1.5bn. While most analysts do not believe T&N faces such large claims, safeguards against such an eventuality would help restore investor confidence.

However, protection packages have to be designed to meet individual companies' requirements – so any deal T&N eventually agrees runs the risk of being expensive.

T&N is confident that it can secure some sort of cover, but it is not relying solely on potential insurance to protect itself from asbestos costs.

Mr David Harding, the finance director headhunted last year from TI Group, has tried to minimise the impact of the asbestos-related cash outflow by improving financial controls elsewhere.

He has set an ambitious target to cut working capital requirements by a third over three years. That should greatly improve its ability to generate sufficient cash to cover future asbestos provisions and rebuild dividend payments – cut from 10.85p to 6p last year following the surprise announcement of a £100m asbestos provision in late 1994.

The board hopes tighter financial controls will enable it to increase investment in the kind of automotive technology which vehicle manufacturers have come to expect from their suppliers.

**T&N asbestos-related provision**

| | | £m forecast | | | | |
|---|---|---|---|---|---|---|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
| US property | 10.5 | 2 | – | – | – | – |
| Canadian property | 4 | – | – | – | – | – |
| US Georgine (roll-outs) | [illegible] | 5 | 6 | 6 | 5 | 5 |
| US post-Georgine legal action* | 21 | 21 | 40 | 39 | 20 | 15 |
| Unspecified US personal injury claims | [illegible] | 18 | – | – | – | – |
| UK personal injury | 4 | 4 | 4 | 5 | 5 | 4 |
| Net asbestos provision | [illegible] | 50 | 50 | 50 | 30 | 24 |

Source: Henderson Crosthwaite Institutional Brokers
* Assuming collapse of "Georgine" class settlement in US

ISSUE OF £2,500,000,000

# $7\frac{1}{2}$% TREASURY STOCK 2006

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 28 AUGUST 1996

| PAYABLE IN FULL WITH APPLICATION | | |
|---|---|---|
| | With a competitive bid | Price bid plus accrued interest |
| | With a non-competitive bid | £103 per £100 nominal of Stock |

*This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 29 August 1996.*

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.
2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
3. The Stock will be repaid at par on 7 December 2006.
4. Stock issued under this prospectus will rank in all respects pari passu, and will be immediately fungible, with the existing Stock and will be amalgamated with the existing Stock in the Central Gilts Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an amount equal to accrued interest from 7 June 1996, the last interest payment date of the Stock, until settlement on 29 August 1996 at the rate of £1.70548 per £100 nominal of Stock.
5. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Under current legislation, transfers will be free of stamp duty.
6. Interest is payable half-yearly on 7 June and 7 December. Income tax will be deducted from interest payments unless a relevant exception applies. Interest warrants will be sent by post. This further issue of the Stock will rank for the full six months' interest due on 7 December 1996.
7. The Stock may be held on the National Savings Stock Register.
8. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.
9. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.
10. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.
11. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.
12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.
13. It is intended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be strippable subject to the terms of that facility. On 10 July 1995 the Chancellor of the Exchequer announced that the Government had decided in principle to introduce such a facility and had also decided that any securities made strippable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which were introduced with effect from 2 January 1996 in connection with sale and repurchase agreements for gilt-edged securities. It was further announced on 13 August 1996 that dividends due to be paid on 7 June 1997 and thereafter on gilts intended to be strippable would be paid without deduction of United Kingdom income tax and would be exempt from those quarterly accounting arrangements. This includes $7\frac{1}{2}$% Treasury Stock 2006. Her Majesty's Treasury issued the requisite direction under Section 50 of the Income and Corporation Taxes Act 1988 in respect of this Stock on 13 August 1996. The starting date for an official strips facility will be announced in due course.
14. Further details of the tax treatment of securities resulting from the stripping of stock of this issue will be determined at or prior to the commencement of an official strips facility. Accordingly, the availability and terms of the exemptions in paragraphs 8 to 12 above in relation to such stripped securities are subject to confirmation.

*Method of Application*

15. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may bid by telephone to the Bank of England not later than 10.00 am on Wednesday, 28 August 1996.
16. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.00 AM ON WEDNESDAY, 28 AUGUST 1996; or lodged by hand at the Central Gilts & Moneymarkets Office, Bank of England, Threadneedle Street, London not later than 10.00 AM ON WEDNESDAY, 28 AUGUST 1996; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.30 PM ON TUESDAY, 27 AUGUST 1996. Bids will not be revocable between 10.00 am on Wednesday, 28 August 1996 and 10.00 am on Monday, 2 September 1996.
17. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. Failure to provide satisfactory evidence of identity may result in delays in despatch of certificates. In addition if, for whatever reason, such evidence of identity is not provided as soon as is reasonably practicable (in the Bank of England's determination) and in any event within 21 days after the auction, the Bank of England may reject the application or cancel the sale of any Stock, and take any other action it may think fit.
18. Cancellation of a sale of Stock for any reason will not affect the non-competitive sale price or any other sale of Stock.
19. COMPETITIVE BIDS
(i) Each competitive bid must be for one amount and at one price, excluding accrued interest, expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

| *Amount of Stock applied for* | *Multiple* |
|---|---|
| £500,000-£1,000,000 | £100,000 |
| £1,000,000 or greater | £1,000,000 |

(ii) Unless the applicant is a member of the CGO Service, PAYMENT IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST AT THE RATE OF £1.70548 PER £100 NOMINAL OF STOCK must be made by a CHAPS payment. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "7HTY2006", to arrive not later than 1.30 pm on Thursday, 29 August 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the United Kingdom.
(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID (PLUS ACCRUED INTEREST); competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

20. NON-COMPETITIVE BIDS
(i) A non-competitive bid, other than one made by a gilt-edged market maker, must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.
(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.
(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing PAYMENT AT THE RATE OF £103 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.
(iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full at the non-competitive sale price plus accrued interest at the rate of £1.70548 per £100 nominal of Stock. The non-competitive sale price will be EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.
(v) If the non-competitive sale price, plus accrued interest, is less than £103 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque sent by post at the risk of the applicant.
(vi) If the non-competitive sale price, plus accrued interest, is greater than £103 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price, plus accrued interest, less £103 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such further payment has been made.
(vii) Each gilt-edged market maker may bid non-competitively for up to 0.5% of the Stock on offer.

21. The Bank of England may sell less than the full amount of the Stock on offer at the auction.
22. The Stock will be issued in registered form. Except in the case of Stock held for the account of members of the CGO Service (for whom separate arrangements apply), registration will be in accordance with the instructions given in the application form. The Bank of England may decline to register Stock unless it has obtained such evidence as it may require of the identity of the applicant and of any person for whom the applicant may be acting as agent.
23. Certificates in respect of the Stock sold (other than amounts held in the CGO Service for the account of members) and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid or CHAPS payment received and, where required, satisfactory evidence of identity has been received. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque or receipt of his CHAPS payment, or to the receipt of satisfactory evidence of identity as appropriate, but such notification will confer no right on the applicant to transfer the Stock so allocated. Certificates will be sent by post at the risk of the applicant.
24. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque or non-receipt of a CHAPS payment on the due date in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.
25. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section 3 of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 29 August 1996 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 29 August 1996 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock.
26. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts & Moneymarkets Office, Bank of England, Threadneedle Street, London, EC2R 8AH or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.
27. The taxation position of the Stock, under current legislation, is broadly as follows:
(i) The Stock is a gilt-edged security for the purposes of Schedule 9 to the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of the Stock will not give rise to a chargeable gain or allowable loss for the purposes of capital gains tax.
(ii) Gilt-edged securities which are not strips are not "relevant discounted securities" for the purposes of Schedule 13 to the Finance Act 1996. Thus, for a holder of the Stock who is neither trading in the Stock nor within the charge to corporation tax in respect of it, United Kingdom income tax arising in relation to holdings of the Stock will generally be limited to income tax on interest received or, in certain circumstances, accrued.
(iii) For a holder within the charge to corporation tax, a holding of the Stock will be a "loan relationship" to which the provisions of Chapter II of Part IV of the Finance Act 1996 will apply.

*Government Statement*

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
20 August 1996

## APPLICATION FORM

Complete Section 1 or 2, plus Sections 6 and 8. Sections 3, 4, 5 and 7 should also be completed where appropriate.
TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND
I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 20 August 1996 as follows:-

**1 FOR COMPETITIVE BIDS ONLY**
(ie for Stock to be purchased at the price bid plus accrued interest)
See notes (a) and (b) below.

Nominal amount of $7\frac{1}{2}$% Treasury Stock 2006 applied for: £

| *Amount of Stock applied for* | *Multiple* |
|---|---|
| £500,000-£1,000,000 | £100,000 |
| £1,000,000 or greater | £1,000,000 |

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1: £ | 32nds

PLUS accrued interest at the rate of £1.70548 per £100 nominal of Stock: £ 1 | p 70.548

Total amount payable per £100 nominal of Stock: (excluding accrued interest) £ | p

Amount required for payment IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST: £

**2 FOR NON-COMPETITIVE BIDS ONLY**
(ie for Stock to be purchased at the non-competitive sale price, plus accrued interest, as defined in the prospectus)
See notes (c) and (d) below.

Nominal amount of $7\frac{1}{2}$% Treasury Stock 2006 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £

Sum enclosed, being £103 for every £100 NOMINAL of Stock applied for: £

**3 FOR CGO MEMBERS ONLY**
CGO Participant Number
Name of Contact
Telephone Number

**4 REGULATED FINANCIAL INSTITUTIONS ONLY**
(unless Section 3 applies)
Name of Regulator
Membership/Reference Number
Country/Territory of Regulator

**5 THIS SECTION TO BE COMPLETED BY APPLICANTS ACTING AS AGENT FOR ANY THIRD PARTY**
(unless the applicant is a CGO member or is a UK or EEA regulated financial institution, and Section 3 or 4 has been completed)
Full name and permanent address of each third party:
FORENAME(S) AND SURNAME(S) | ADDRESS (including postcode)

If additional space is required, please continue on separate sheet.

**6 THIS SECTION TO BE COMPLETED BY ALL APPLICANTS**
I/We request that Stock sold to me/us be registered in the undermentioned name(s) and that any certificate be sent by post at my/our risk to the first named holder at the address shown below.
IN THE CASE OF A NON-COMPETITIVE APPLICATION (other than one made by a gilt-edged market maker) I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).
IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION 3, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 29 August 1996, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.
IN THE CASE OF AN APPLICATION MADE ON BEHALF OF A THIRD PARTY, I/we have obtained and recorded evidence of the identity of each person on whose behalf I am/we are applying, and I/we will on demand make such evidence available to the Bank of England or the relevant authority.

Date | SIGNATURE(S) of, or on behalf of, applicant

**7 DETAILS OF APPLICANT(S)**
(if not the person(s) in section 5)
FORENAME(S) AND SURNAME(S) | ADDRESS (including postcode)

**8 REGISTRATION DETAILS**
Stock may be registered in the names of individuals or a corporate body.
CAPITAL LETTERS PLEASE

| Title | Forename(s) in full | Surname |
|---|---|---|
| Address | | |
| | | Postcode |
| Title | Forename(s) in full | Surname |
| Address | | |
| | | Postcode |

Daytime Telephone Number (in case there is a query)

FOR BANK OF ENGLAND USE

| Box No. | Ref. | Transaction Number |
|---|---|---|
| 705 | | 164/ |
| Batch Number | New Account No. | Cert. Posted Date |

The Stock will be registered on the Bank of England Register, unless you wish the Stock to be registered on the National Savings Stock Register (NSSR) (for which there is a maximum limit of £25,000 nominal of Stock) or at the Bank of Ireland, Belfast, in which case please tick the appropriate box. NSSR ☐ BELFAST ☐

**NOTES**

(a) A competitive bid may not be made by an applicant as agent for any third party unless the applicant is a member of the CGO or is a UK or EEA regulated financial institution.

(b) Except in the case of members of the CGO Service who have completed Section 3, a CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "7HTY2006", to arrive not later than 1.30 pm on Thursday, 29 August 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the UK.

(c) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues"; and must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. An applicant lodging an application form in person should bring evidence of identity bearing the applicant's photograph (for example a passport) and evidence of the applicant's name and address from a third party, for example a recent bill from a gas, electricity or telephone company or a bank or building society statement.

(d) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 28 AUGUST 1996; OR LODGED BY HAND AT THE CENTRAL GILTS & MONEYMARKETS OFFICE, BANK OF ENGLAND, THREADNEEDLE STREET, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 28 AUGUST 1996; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 27 AUGUST 1996.

## INTERNATIONAL CAPITAL MARKETS

# Treasuries fall as Fed leaves rates unchanged

By Richard Waters in New York and Samer Iskandar and Susanna Voyle in London

US Treasury bond prices dipped slightly in early afternoon trading in New York yesterday as it emerged that the Federal Open Market Committee had decided at its latest meeting to leave US interest rates unchanged.

The benchmark 30-year bond shed ⅛ in the immediate aftermath of the news, which had been anticipated by the market. The long bond was trading at 99$\frac{5}{32}$, to yield 6.801 per cent.

An earlier modest rise among longer-dated bonds had petered out by lunchtime in New York, reflecting a general sense of caution ahead of the meeting as traders reported little enthusiasm for position-taking.

That cautious mood was enough to reverse a ⅛ rise in the long bond, which came in response to US international trade figures for June.

The figures showed a trade deficit for the month of $8.1bn, below the $9.6bn that had been forecast and an outcome that underpinned the dollar.

Shorter-dated securities were unchanged after the Fed's policy-making committee meeting, with the two-year Treasury note standing at 100$\frac{5}{32}$, to yield 5.954 per cent.

■ Italian bonds showed the worst performance among European markets for the second consecutive day, as political uncertainty rose.

Liffe's September BTP future closed at 115.71, down 0.17, but fell to a low of 115.37 in trading after the exchange's official close. In the cash market the 10-year BTP yield spread over bunds widened by 3 basis points to 329 points. In addition to the ongoing budget-related uncertainty, BTPs suffered when the reformed communist party voiced its opposition to the sale of Stet, the state-owned telecommunications group, and threatened to withdraw its support from the coalition government.

### GOVERNMENT BONDS

The economic environment, although more favourable, failed to support bonds. Wholesale and producer price indices were below market expectations, reinforcing "the view that the headline inflation rate will fall in August", according to economists at Bear Stearns, who now expect consumer price inflation to show a headline rate of 3.4 per cent for August, down from 3.6 per cent in July.

The Bank of Italy hinted earlier this summer that it would cut official interest rates again when the inflation rate approached 3 per cent.

■ UK gilts ended a quiet day slightly lower, as uncertainty over the outcome of the FOMC meeting weighed on market sentiment. Liffe's September long gilt future settled at 108, down ⅛.

Traders largely ignored the release of mildly bullish money supply data. The M4 monetary aggregate rose by only 0.4 per cent in July, bringing the year-on-year rate of growth down to 8.8 per cent, below its official monitoring range for the first time in 10 months.

The Bank of England yesterday announced the details of the August 28 gilt auction. A total of £2.5bn of 7¼ per cent treasury stock due 2006 will be tendered.

■ German bunds weakened slightly, in spite of the release of encouraging money supply data. Liffe's September bund future closed at 98.05, down 0.03.

The Bundesbank announced that M3 money supply had fallen in July to an annual growth rate of 8.6 per cent, in line with market expectations. Hopes of a cut in the repo rate tomorrow were intact, with analysts predicting a 10 basis point easing, to 3.20 per cent.

"The data do not increase the chances of a cut", one trader said. "But they do not rule them out either." Although an easing is widely believed to be already priced into bunds, it could "help put the convergence process [of the high-yielding markets] back on the tracks", one trader said.

Economists at UBS in Frankfurt, however, warn that "a repo cut is not a safe bet and there is certainly a risk that the Bundesbank might disappoint the market again".

■ The weakness of the rand continued to drive activity on the South African market yesterday. Bonds mirrored the state of the currency, which ended a quiet day weaker after the battering it took in New York on Monday following publication of a report which claimed that it was over-valued.

Dealers said the bond market had been fairly stable, "apart from some short-covering" by local traders in the morning and "a bit of institutional nibbling at higher levels".

After trading in a range between 15.655 per cent and 15.710 per cent, the yield on the key R150 stock was last pegged at 15.665 per cent, up from 15.565 per cent late on Monday.

# Lithuania given finer terms on revolving credit

By Antonia Sharpe

The stream of emerging market borrowers coming to the international syndicated loans market shows no sign of abating. Over the last week, banks have launched facilities for Lithuania, Telekom Slovenia, and Tunisia.

### SYNDICATED LOANS

Lithuania's $75m revolving credit facility is the first broadly syndicated transaction from the Baltic states. The loan has a life of one year and one day, but the borrower has an option to extend it by another year.

Pricing reflects the greater acceptance among banks of emerging market credits. The loan carries a margin of 225 basis points over London interbank offered rate (Libor), compared with 250 basis points on a $33m six-month facility taken out by Lithuania earlier this year.

The new loan, which replaces the six-month facility, also has a commitment fee of 50 basis points, with an additional 50 basis points if less than 75 per cent is drawn. Participation fees range from a top level of 40 basis points for banks taking up $5m, to 20 basis points for those taking up $1m.

The loan has got off to a comfortable start since the nine arrangers – Bank of Tokyo-Mitsubishi, Bankers Trust, BNP, Bayerische Landesbank, BHF-Zivnostenska Bank, Dresdner Bank, Kredietbank, Landesbank Schleswig-Holstein and J.P. Morgan – have agreed to commit $7.5m each.

General syndication is expected to close at the end of this month. If there is sufficient demand, Lithuania might seek to increase the size, possibly to $100m.

Telekom Slovenia is making its first appearance in the market with a DM70m seven-year term loan arranged by Bankgesellschaft Berlin, Creditanstalt, Credit Suisse, DKB, Dresdner and ING Barings.

The loan, which pays 35 basis points over Libor, is not expected to be syndicated because of its size, though a few more banks might be included in the group. Although Telekom is state-owned, the loan does not carry a state guarantee.

Tunisia is seeking to raise $100m through a seven-year loan, via Arab Banking Corp, Bank of Tokyo-Mitsubishi, Dresdner, Société Générale and NatWest. The loan, which pays 50 basis points over Libor for the first five years then 60 basis points, will be launched into general syndication today.

Yesterday, Commerzbank and NatWest started to syndicate a $100m five-year loan for the Central-European International Bank, which is owned by National Bank of Hungary and a consortium of international banks. The loan, divided equally into a term loan and a revolving credit, has a margin of Libor plus 30 basis points and a commitment fee of 15 points.

September is expected to see a rush of loans from European and Scandinavian names. Finnish steel producer Rautaruukki is one of the first to come to market after the summer break. It is seeking to raise DM200m through a seven-year amortising loan, via Den Danske, Enskilda and Merita. The loan carries a margin of 25 basis points for the first four years, then 27½ points.

# Coventry Building Society makes a rare appearance

By Conner Middelmann

Activity in the eurobond market was dampened yesterday by the ongoing meeting of the US Federal Reserve's Open Market Committee and jitters ahead of tomorrow's Bundesbank council meeting.

The summer lull also continues to weigh on the market, but dealers said US dollar issuance might resume once the FOMC meeting was over – provided it bore no nasty surprises. "Given the success of the World Bank's and Canada's issues, I think there's room for more 10-year paper," said one.

Kansai International Airport is thought to be planning a transaction, with dealers expecting $200m of 10-year bonds via IBJ, with a yield spread rumoured to be in the high 20s.

Among the sparse new offerings, Coventry Building Society made a rare appearance in the sterling sector with £100m of five-year floating-rate notes. It replaces a £100m issue which was called yesterday, making it the only outstanding Coventry deal in the market.

### INTERNATIONAL BONDS

Lead manager HSBC Markets said Coventry last year jointly topped UBS's annual survey of UK building societies with the Halifax Building Society. Moreover, the offering followed Monday's announcement of well-received interim results, it said. The bonds are rated single-A by IBCA, the European rating agency.

HSBC said a sizeable part of the issue was placed away from traditional UK building-society accounts and reported buying by overseas banks, UK corporations and institutions.

Other offerings were very much aimed at retail investors in continental Europe.

In the D-Mark sector, triple-A rated Nederlandse Gasunie issued DM200m of five-year bonds, yielding 17 basis points over German government notes, via Rabobank and SBC Warburg.

"Dutch credits are particularly popular in Switzerland," a syndicate official said.

Another retail-targeted transaction was a NZ$100m issue for Commerzbank – the German bank's first appearance in the New Zealand dollar sector. Pricing of the bonds at five basis points over New Zealand government debt at the offer price compares favourably with a short-dated issue launched on Monday for the Province of Manitoba at a 6 basis point spread, lead manager Hambros Bank said. Commerzbank is rated Aa2/AA– and Manitoba A1/A+.

South Africa's Department of Finance has appointed Merrill Lynch as lead manager of its forthcoming Yankee bond issue – its first foray into the US domestic bond market. Market conditions would determine the terms and timing of the deal, the department said. Market talk has been of $250m to $300m of 10-year bonds.

### New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| HCLT 96-2, Class A1(a)‡ | 794 | (a1) | (a1) | Jan 2003 | 0.18 | - | Merrill Lynch |
| **D-MARKS** | | | | | | | |
| Nederlandse Gasunie | 200 | 5.25 | 99.905R | Oct 2001 | 0.25R | +17(5¼%-01) | Rabobank/SBC Warburg |
| **STERLING** | | | | | | | |
| Coventry Building Society(b)‡ | 100 | (b1) | 99.91 | Sep 2001 | 0.15 | - | HSBC Markets |
| **ECU** | | | | | | | |
| De NIB | 55 | (c) | 101.85 | Sep 2004 | 2.00 | - | Kredietbank Intl Group |
| **DANISH KRONER** | | | | | | | |
| Nordic Investment Bank(i) | 400 | 6.50 | 101.75 | Dec 2002 | 1.875 | - | Banque Paribas Lux |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| Commerzbank(i) | 100 | 8.00 | 100.52 | Sep 1999 | 1.25 | - | Hambros Bank |

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Household Consumer Loan Trust. Legal final: 15/6/06. Average life: 2.39 yrs. a1) Priced later: 1-mth Libor +17-18bp, max 13bp. a2) Class A2: $52.24m, 1-mth Libor +32bp area (15% cap). av life 5.07 yrs. Class A3: $67.9m, 1-mth Libor +42bp area (15% cap), 5.07 yrs. Class B: $49.37m, 1-mth Libor +60-65bp (15% cap), 5.07 yrs. b) Callable in Sep 2000 at par. b1) 3-mth Libor +$\frac{1}{16}$%. c) 6⅝% to 27/9/00, then 6%. i) Long 1st coupon.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 8.750 | 11/06 | 91.8250 | +0.460 | 7.92 | 8.11 | 8.79 |
| Austria | | 6.250 | 05/06 | 99.1600 | +0.030 | 6.25 | 6.29 | 6.57 |
| Belgium | | 7.000 | 05/06 | 102.8400 | –0.040 | 6.59 | 6.61 | 6.87 |
| Canada * | | 7.000 | 12/06 | 98.2500 | +0.370 | 7.24 | 7.28 | 7.65 |
| Denmark | | 8.000 | 03/06 | 105.2200 | – | 7.21 | 7.28 | 7.42 |
| France | BTAN | 5.500 | 10/01 | 100.7500 | +1.250 | 5.56 | 5.47 | 5.69 |
| | OAT | 7.250 | 04/06 | 106.4500 | –0.020 | 6.33 | 6.36 | 6.54 |
| Germany Bund | | 6.250 | 04/06 | 99.8900 | –0.040 | 6.26 | 6.26 | 6.55 |
| Ireland | | 8.000 | 08/06 | 103.3200 | +0.050 | 7.51 | 7.56 | 7.66 |
| Italy | | 9.500 | 02/06 | 101.0300 | –0.190 | 9.39† | 9.32 | 9.15 |
| Japan | No 140 | 6.600 | 06/01 | 119.3650 | –0.010 | 2.16 | 2.17 | 2.36 |
| | No 182 | 3.000 | 09/05 | 99.1170 | –0.100 | 3.13 | 3.19 | 3.31 |
| Netherlands | | 8.500 | 06/06 | 116.1700 | –0.060 | 6.23 | 6.28 | 6.58 |
| Portugal | | 11.875 | 02/05 | 118.6300 | +0.160 | 8.66 | 8.69 | 8.70 |
| Spain | | 8.800 | 04/06 | 99.0600 | –0.090 | 8.92 | 8.94 | 8.73 |
| Sweden | | 6.000 | 02/05 | 87.8795 | +0.220 | 8.02 | 8.23 | 8.35 |
| UK Gilts | | 8.000 | 12/00 | 103–20 | +1/32 | 7.00 | 7.03 | 7.16 |
| | | 7.500 | 12/06 | 98–00 | –3/32 | 7.78 | 7.77 | 7.92 |
| | | 9.000 | 10/08 | 108–13 | –3/32 | 7.91 | 7.89 | 8.04 |
| US Treasury * | | 7.000 | 07/06 | 103–00 | – | 6.55 | 6.48 | 7.05 |
| | | 6.750 | 08/26 | 99–13 | – | 6.80 | 6.73 | 7.18 |
| ECU (French Govt) | | 7.500 | 04/05 | 104.7700 | +0.060 | 6.75 | 6.81 | 7.03 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

Latest

| | |
|---|---|
| Prime rate | 8¼ |
| Broker loan rate | 7 |
| Fed.funds | 5¼ |
| Fed.funds at intervention | - |

Treasury Bills and Bond Yields

| | | | |
|---|---|---|---|
| One month | - | Two year | 5.97 |
| Two month | - | Three year | 6.15 |
| Three month | 5.19 | Five year | 6.33 |
| Six month | 5.34 | 10-year | 6.56 |
| One year | 5.62 | 30-year | 6.80 |

### BOND FUTURES AND OPTIONS

#### France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 123.76 | 123.78 | +0.06 | 123.90 | 123.68 | 59,665 | 187,544 |
| Dec | 122.48 | 122.46 | +0.06 | 122.52 | 122.40 | 2,723 | 38,190 |
| Mar | 122.30 | 122.32 | +0.06 | 122.32 | 122.30 | 266 | 8,493 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Sep | Calls Oct | Calls Dec | Puts Sep | Puts Oct | Puts Dec |
|---|---|---|---|---|---|---|
| 120 | - | - | - | - | 0.12 | 0.43 |
| 121 | 2.60 | - | - | - | 0.23 | 0.64 |
| 122 | 1.60 | - | - | 0.03 | 0.48 | - |
| 123 | 0.87 | 0.40 | 0.86 | 0.10 | - | - |
| 124 | 0.18 | - | 0.50 | 0.43 | - | - |

Est. vol. total, Calls 25,230 Puts 8,002. Previous day's open int., Calls 135,660 Puts 180,814.

#### Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 98.10 | 98.05 | -0.03 | 98.25 | 97.92 | 96406 | 223865 |
| Dec | 97.25 | 97.17 | -0.05 | 97.27 | 97.15 | 4881 | 35193 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Sep | Calls Oct | Calls Nov | Calls Dec | Puts Sep | Puts Oct | Puts Nov | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| 9800 | 0.17 | 0.20 | 0.42 | 0.62 | 0.12 | 1.08 | 1.25 | 1.45 |
| 9850 | 0.03 | 0.10 | 0.28 | 0.45 | 0.48 | 1.43 | 1.61 | 1.78 |
| 9900 | 0.01 | 0.05 | 0.17 | 0.32 | 0.96 | 1.86 | 2.00 | 2.15 |

Est. vol. total, Calls 18780 Puts 19902. Previous day's open int., Calls 173469 Puts 204463

#### Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 115.98 | 115.71 | -0.27 | 116.32 | 115.37 | 55875 | 59443 |
| Dec | 115.60 | 115.01 | -0.29 | 115.60 | 114.75 | 3471 | 7096 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Sep | Calls Dec | Puts Sep | Puts Dec |
|---|---|---|---|---|
| 11550 | 0.41 | 1.57 | 0.80 | 2.05 |
| 11600 | 0.16 | 1.34 | 0.45 | 2.33 |
| 11650 | 0.05 | 1.13 | 0.84 | 2.62 |

Est. vol. total, Calls 8810 Puts 6694. Previous day's open int., Calls 89487 Puts 116025

#### Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 100.36 | 100.36 | +0.01 | 100.67 | 100.30 | 53,601 | 49,309 |
| Dec | 99.96 | 99.91 | +0.06 | 100.12 | 99.94 | 192 | 2,970 |

#### UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 108-05 | 108-00 | -0-04 | 108-05 | 107-29 | 28341 | 148769 |
| Dec | 107-10 | 107-07 | -0-04 | 107-11 | 107-07 | 2297 | 6623 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Sep | Calls Oct | Calls Nov | Calls Dec | Puts Sep | Puts Oct | Puts Nov | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| 108 | 0-12 | 0-30 | 0-52 | 1-05 | 0-12 | 1-16 | 1-38 | 1-55 |
| 109 | 0-01 | 0-15 | 0-30 | 0-45 | 1-01 | 1-63 | 2-16 | 2-31 |
| 110 | 0 | 0-05 | 0-15 | 0-25 | 2-00 | 2-55 | 3-01 | 3-14 |

Est. vol. total, Calls 1367 Puts 926. Previous day's open int., Calls 30142 Puts 28851

#### Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 92.20 | 92.28 | +0.06 | 92.30 | 92.20 | 113 | 7,379 |
| Dec | 90.44 | 90.46 | +0.06 | 90.44 | 90.44 | 650 | 1,267 |

#### US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 110–29 | 111–02 | +0–05 | 111–05 | 110–27 | 144,573 | 438,800 |
| Dec | 110–13 | 110–12 | –0–01 | 110–21 | 110–12 | 6,160 | 32,310 |
| Mar | 110–04 | 109–30 | – | 110–05 | 110–00 | 8 | 4,330 |

#### Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 120.75 | | | 120.88 | 120.73 | 2239 | na |
| Dec | 119.50 | | | 119.59 | 119.42 | 1237 | na |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Tue Aug 20 | Day's change % | Mon Aug 19 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 1 Up to 5 years (22) | 122.17 | 0.03 | 122.14 | 2.49 | 6.17 |
| 2 5-15 years (20) | 148.28 | –0.04 | 148.35 | 2.73 | 6.83 |
| 3 Over 15 years (8) | 161.87 | –0.14 | 162.09 | 2.18 | 8.73 |
| 4 Irredeemables (6) | 186.39 | –0.15 | 186.67 | 3.25 | 7.38 |
| 5 All stocks (56) | 142.89 | –0.04 | 142.94 | 2.61 | 6.96 |

| Average gross redemption yields | Low coupon Aug 20 | Low Aug 19 | Low Yr. ago | Medium Aug 20 | Medium Aug 19 | Medium Yr. ago | High Aug 20 | High Aug 19 | High Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| 5 yrs | 7.13 | 7.14 | 7.69 | 7.20 | 7.20 | 7.70 | 7.28 | 7.27 | 7.80 |
| 15 yrs | 8.01 | 7.99 | 8.13 | 8.02 | 8.00 | 8.16 | 8.06 | 8.05 | 8.26 |
| 20 yrs | 8.11 | 8.09 | 8.16 | 8.10 | 8.09 | 8.19 | 8.14 | 8.13 | 8.28 |
| Irred.† | 8.16 | 8.15 | 8.21 | | | | | | |

| Index-linked | Tue Aug 20 | Day's change % | Mon Aug 19 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 6 Up to 5 years (1) | 199.89 | 0.02 | 199.84 | 2.83 | 4.49 |
| 7 Over 5 years (11) | 189.58 | 0.03 | 189.53 | 0.96 | 3.43 |
| 8 All stocks (12) | 189.68 | 0.03 | 189.63 | 0.97 | 3.44 |

| | Inflation 5% Aug 20 | Aug 19 | Yr. ago | Inflation 10% Aug 20 | Aug 19 | Yr. ago |
|---|---|---|---|---|---|---|
| Up to 5 yrs | 2.04 | 2.05 | 2.73 | 0.33 | 0.33 | 0.88 |
| Over 5 yrs | 3.64 | 3.64 | 3.53 | 3.42 | 3.42 | 3.33 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Aug 20 | Aug 19 | Aug 16 | Aug 15 | Aug 14 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 93.33 | 93.41 | 93.43 | 93.11 | 93.19 | 93.50 | 96.34 | 91.59 |
| Fixed Interest | 113.75 | 113.76 | 113.62 | 113.39 | 113.43 | 112.18 | 115.23 | 110.74 |

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### GILT EDGED ACTIVITY INDICES

| | Aug 19 | Aug 16 | Aug 15 | Aug 14 | Aug 13 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 74.4 | 74.6 | 72.2 | 75.0 | 81.6 |
| 5-day average | 75.6 | 74.2 | 74.9 | 75.2 | 75.6 |

## UK GILTS PRICES

| Notes | Yield Int | Yield Red | Price £ | + or – | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| **Shorts (Lives up to Five Years)** | | | | | | |
| Treas 2pc 1996 | 0.91 | 5.71 | 220½ | +$\frac{1}{32}$ | 220½ | 212⅞ |
| Conversion 10pc 1996 | 9.91 | 5.69 | 100$\frac{29}{32}$ | — | 104$\frac{1}{16}$ | 100$\frac{29}{32}$ |
| Treas 13¼pc 1997‡‡ | 12.86 | 5.64 | 103$\frac{1}{16}$ | –$\frac{1}{32}$ | 106$\frac{21}{32}$ | 103$\frac{1}{16}$ |
| Exch 10½pc 1997 | 10.28 | 5.70 | 102$\frac{11}{32}$ | — | 105$\frac{13}{32}$ | 102$\frac{9}{32}$ |
| Treas Cnv 7pc 1997‡‡ | 6.92 | 5.70 | 101$\frac{3}{16}$ | — | 101$\frac{15}{32}$ | 99$\frac{13}{32}$ |
| Treas 8¾pc 1997‡‡ | 8.51 | 5.74 | 102$\frac{27}{32}$ | — | 104$\frac{7}{8}$ | 102¾ |
| Exch 15pc 1997 | 13.61 | 5.86 | 110¼ | –$\frac{1}{32}$ | 116$\frac{3}{16}$ | 110¼ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Notes | Yield Int | Yield Red | Price £ | + or – | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| Treas 8½pc 2005‡‡ | 8.09 | 7.72 | 105$\frac{1}{16}$ | –⅛ | 108$\frac{11}{32}$ | 101$\frac{13}{32}$ |
| Treas 7½pc 2006‡‡ | 7.65 | 7.78 | 98$\frac{1}{16}$ | –$\frac{1}{32}$ | 101$\frac{9}{32}$ | 94$\frac{19}{32}$ |
| Treas 7¾pc 2006‡‡ | 7.79 | 7.81 | 99$\frac{3}{8}$ | –$\frac{1}{32}$ | 103¼ | 96$\frac{3}{8}$ |
| Treas 8pc 2002-6‡‡ | 7.90 | 7.80 | 101¼ | — | 104$\frac{11}{32}$ | 97⅞ |
| Treas 11¾pc 2003-7 | 9.70 | 7.53 | 121$\frac{3}{16}$ | –$\frac{1}{32}$ | 125$\frac{1}{16}$ | 118$\frac{13}{32}$ |
| Treas 8½pc 2007 ‡‡ | 8.12 | 7.85 | 104$\frac{21}{32}$ | –$\frac{1}{32}$ | 108$\frac{11}{32}$ | 101$\frac{3}{16}$ |
| Treas 13½pc 2004-8 | 10.11 | 7.59 | 133$\frac{1}{2}$ | –$\frac{1}{32}$ | 138$\frac{13}{32}$ | 130$\frac{13}{32}$ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Index-Linked Notes | Yield (1) | Yield (2) | Price £ | + or – | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| 4⅝pc '98‡‡ (135.6) | 0.34 | 2.05 | 113$\frac{21}{32}$ | — | 113⅞ | 111$\frac{1}{16}$ |
| 2½pc '01 (78.3) | 2.84 | 3.23 | 182$\frac{11}{32}$ | — | 182$\frac{5}{8}$ | 174$\frac{13}{32}$ |
| 2½pc '03 (78.8) | 2.97 | 3.41 | 177$\frac{13}{32}$ | +$\frac{1}{32}$ | 177$\frac{13}{32}$ | 170$\frac{13}{32}$ |
| 4⅜pc '04‡‡ (135.6) | 3.05 | 3.45 | 116$\frac{3}{16}$ | +$\frac{1}{32}$ | 116$\frac{13}{32}$ | 112$\frac{13}{32}$ |
| 2pc '06 (69.5) | 3.21 | 3.52 | 185$\frac{7}{16}$ | +$\frac{1}{32}$ | 186$\frac{1}{2}$ | 179 |
| 2½pc '09 (78.8) | 3.34 | 3.59 | 167¼ | +$\frac{1}{32}$ | 167$\frac{1}{2}$ | 161$\frac{1}{16}$ |
| 2½pc '11 (74.6) | 3.41 | 3.63 | 173$\frac{11}{32}$ | +$\frac{1}{32}$ | 173$\frac{1}{2}$ | 165$\frac{7}{8}$ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### Other Fixed Interest

| Notes | Yield Int | Yield Red | Price £ | + or – | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on August 20

| | Issued | Bid | Offer | Chg | Yield |
|---|---|---|---|---|---|
| **U.S. DOLLAR STRAIGHTS** | | | | | |
| Abbey Natl Treasury 6½ 03 | 1000 | 98⅛ | 98⅝ | | 6.85 |
| ABN Amro Bank 7¼ 05 | 1000 | 100⅝ | 101 | | 7.28 |
| African Dev Bk 7½ 23 | 500 | 97¼ | 98⅛ | | 7.67 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden 8 97 | 2500 | 105 | 105⅛ | –⅛ | 3.67 |
| United Kingdom 7¼ 97 | 5500 | 104 | 104⅛ | –⅛ | 3.61 |
| Volkswagen Intl Fin 7 03 | 1000 | 104¼ | 104⅝ | –⅛ | 6.21 |
| World Bank 0 15 | 2000 | 32¼ | 32½ | –⅛ | 6.05 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Abbey Natl Treasury 8 03 £ | 1000 | 101⅛ | 101⅛ | | 7.76 |
| British Land 8⅞ 23 £ | 150 | 91⅛ | 91¼ | –⅛ | 10.03 |
| Denmark 6¾ 98 £ | 800 | 100⅛ | 100½ | –⅛ | 6.54 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## CURRENCIES AND MONEY

**MARKETS REPORT**

# Trade figure surprise boosts US dollar

**By Richard Adams**

An unexpectedly sharp fall in the US trade deficit helped push the dollar higher against the Japanese yen, when most attention was focused on money supply data and interest rate decisions.

Coming ahead of yesterday's Federal Open Market Committee meeting in Washington yesterday, the deficit data finally took the dollar over Y108, after being rangebound in recent weeks.

At the close of trading in London, the dollar was at Y108.330, from Y107.950 the previous day.

But the dollar was muted against European currencies, ending against the D-Mark at DM1.4893, from DM1.4882. Against sterling it was worth $1.5472, from $1.5455.

The slight D-Mark weakness came after the announcement of long-awaited German money supply figures.

The decline in M3 growth was accurately anticipated by the markets, after comments earlier this month by Mr Otmar Issing, the Bundesbank's chief economist, that it would fall.

In Australia, the new conservative government's first budget proved to be a disappointment for those expecting large spending cuts. Mr Peter Costello, the federal treasurer, held out hopes of interest rate cuts to come, and the Australian dollar fell against the US dollar in London, ending at A$1.2718, from A$1.2658.

■ The only game in town continues to be Bundesbank-watching - at least for the next 24 hours. European cross trades continued to be dominated by expectations of a cut in the repurchase rate or a move by the bank to a variable repurchase rate sooner or later.

Germany's July M3 growth fell to 8.6 per cent year-on-year, from 9.6 per cent in the previous month. The M3 fall may herald a cut by the Bundesbank in its repo rate at its central council meeting tomorrow. But rumours circulated in the markets that today's Ifo German business sentiment survey would be very strong. That, if true, would reduce the chances of a rate cut tomorrow.

Some areas of the market appear to have already discounted a relatively big rate cut. But Ms Alison Cottrell, international economist at Paine Webber in London, warns that those expectations risk disappointment.

She is expecting a cut of only 5 basis points, after the bank's success in talking the D-Mark down in recent months. "They've exhausted their barking potential, and now they've got to have some bite," she said. The bank could also include a switch to a variable repo rate within the next week or two.

Ms Cottrell said the Bundesbank would also be looking to help France after its recent currency travails, not for political reasons but because economic recovery in both countries is vulnerable.

■ The US trade deficit in goods and services declined to $8.11bn, from a revised $10.55bn gap in May. Analysts had expected a $9.4bn deficit in June.

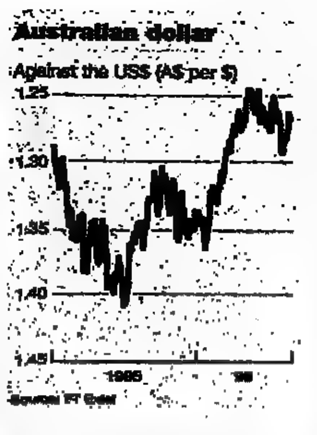
Mr Larry Hatheway, senior currency economist at UBS in London, said that the US trade data was the final confirmation that the Federal Reserve had no need to raise interest rates. "It's a further sign that the economy is not as robust as was thought two or three months ago," he said.

■ The Australian government's budget turned out to be a victim of its own success, as analysts pronounced disappointment with the final deficit figure of A$5.65bn and a headline surplus of A$474m for 1996/97.

The disappointment followed speculation of harsher spending cuts, to get the deficit below A$5bn.

Mr Peter Costello, the treasurer, said he would like an interest rate cut by the end of 1996. "I'd like that to be an outcome and I am going to do the best to make sure we are going to get it," he said.

Mr Costello said a rate cut was possible when the budget was passed by the Senate, the Australian parliament's upper house. That puts pressure on opposition parties in the Senate not to block the new measures.



Source: FT Extel

■ Pound in New York

| Aug 20 | —Latest— | – Prev. close – |
|---|---|---|
| £ spot | 1.5495 | 1.5450 |
| 1 mth | 1.5490 | 1.5444 |
| 3 mth | 1.5485 | 1.5440 |
| 1 yr | 1.5477 | 1.5430 |

■ OTHER CURRENCIES

| Aug 20 | £ | $ |
|---|---|---|
| Czech Rp | 41.1630 - 41.2099 | 26.6100 - 26.6300 |
| Hungary | 233.706 - 233.874 | 151.080 - 151.130 |
| Iran | 4642.50 - 4640.70 | 3000.00 - 3000.00 |
| Kuwait | 0.4631 - 0.4635 | 0.2994 - 0.2995 |
| Poland | 4.2354 - 4.2417 | 2.7380 - 2.7410 |
| Russia | [illegible] | [illegible] - 5303.00 |
| U.A.E. | 5.6811 - 5.6841 | 3.6726 - 3.6730 |

## POUND SPOT FORWARD AGAINST THE POUND

| Aug 20 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 16.2154 | +0.0294 | 061 - 226 | 16.2284 | 16.1609 | 16.1841 | 2.3 | 16.1091 | 2.6 | - | - | 92.3 |
| Belgium | (BFr) | 47.4604 | +0.0761 | 434 - 773 | 47.4810 | 47.3110 | 47.3654 | 2.4 | 47.1754 | 2.4 | [illegible] | 2.3 | 107.2 |
| Denmark | (DKr) | 8.8980 | +0.0067 | 939 - 020 | 8.9070 | 8.8798 | 8.8842 | 1.9 | 8.8639 | 1.5 | 8.7561 | 1.6 | 109.0 |
| Finland | (FM) | 6.9327 | +0.0196 | 259 - 395 | 6.9470 | 6.9050 | 6.9283 | 0.8 | 6.9202 | 0.7 | - | - | 85.7 |
| France | (FFr) | 7.8714 | +0.0038 | 691 - 737 | 7.8756 | 7.8492 | 7.8592 | 1.9 | 7.8365 | 1.8 | 7.7431 | 1.6 | 108.8 |
| Germany | (DM) | 2.3043 | +0.0043 | 033 - 052 | 2.3084 | 2.2960 | 2.2999 | 2.3 | 2.2909 | 2.3 | 2.2521 | 2.3 | 109.2 |
| Greece | (Dr) | 367.978 | +0.651 | 822 - 135 | 368.135 | 366.854 | - | - | - | - | - | - | 67.3 |
| Ireland | (I£) | 0.9630 | +0.0004 | 624 - 636 | 0.9639 | 0.9617 | 0.9625 | 0.6 | 0.9613 | 0.7 | 0.9565 | 0.6 | 99.5 |
| Italy | (L) | 2348.46 | +8.7 | 742 - 949 | 2349.49 | 2335.95 | 2354.01 | -2.8 | 2363.86 | -2.6 | 2396.38 | -2.0 | 78.4 |
| Luxembourg | (LFr) | 47.4604 | +0.0761 | 434 - 773 | 47.4810 | 47.3110 | 47.3654 | 2.4 | 47.1754 | 2.4 | 46.3904 | 2.3 | 107.2 |
| Netherlands | (Fl) | 2.5842 | +0.0051 | 833 - 851 | 2.5869 | 2.5780 | 2.5781 | 2.8 | 2.5661 | 2.8 | 2.5184 | 2.5 | 107.4 |
| Norway | (NKr) | 9.9556 | +0.0114 | 476 - 635 | 9.9633 | 9.8923 | 9.9471 | 1.0 | 9.9301 | 1.0 | 9.8466 | 1.1 | 96.4 |
| Portugal | (Es) | 236.335 | +0.492 | 212 - 458 | 236.458 | 235.506 | 236.76 | -2.2 | 237.665 | -2.3 | - | - | 95.6 |
| Spain | (Pta) | 194.808 | +0.16 | 739 - 877 | 194.877 | 194.005 | 195.068 | -1.6 | 195.333 | -1.6 | 196.963 | -1.1 | 80.5 |
| Sweden | (SKr) | 10.2206 | -0.0296 | 119 - 293 | 10.2470 | 10.1885 | 10.2209 | 0.0 | 10.221 | 0.0 | 10.2189 | 0.0 | 89.4 |
| Switzerland | (SFr) | 1.8695 | +0.0039 | 687 - 702 | 1.8711 | 1.8629 | 1.8645 | 3.2 | 1.8557 | 3.4 | 1.8055 | 3.4 | 113.2 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 84.6 |
| Ecu | - | 1.2238 | +0.0027 | 233 - 243 | 1.2246 | 1.2196 | 1.2225 | 1.3 | 1.2195 | 1.4 | 1.2062 | 1.4 | - |
| SDR† | - | 1.062500 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5451 | +0.0017 | 446 - 455 | 1.5468 | 1.5420 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.5691 | +0.0032 | 686 - 695 | 1.5697 | 1.5635 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1247 | +0.0012 | 239 - 255 | 2.1255 | 2.1161 | 2.124 | 0.4 | 2.1203 | 0.8 | 2.1122 | 0.6 | 83.8 |
| Mexico | (New Peso) | 11.5677 | +0.0011 | 615 - 738 | 11.7676 | 11.5427 | - | - | - | - | - | - | - |
| USA | ($) | 1.5472 | +0.0017 | 469 - 475 | 1.5475 | 1.5428 | 1.5467 | 0.4 | 1.546 | 0.3 | 1.5467 | 0.0 | 96.4 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.9678 | +0.0113 | 668 - 688 | 1.9688 | 1.9457 | 1.9704 | -1.6 | 1.9754 | -1.5 | 2.0006 | -1.7 | 92.3 |
| Hong Kong | (HK$) | 11.9655 | +0.0139 | 634 - 696 | 11.9698 | 11.9320 | 11.9584 | 0.6 | 11.9468 | 0.7 | 11.927 | 0.3 | - |
| India | (Rs) | 55.0804 | +0.0605 | 603 - 005 | 55.4005 | 54.7603 | - | - | - | - | - | - | - |
| Israel | (Shk) | 4.8674 | +0.0022 | 639 - 709 | 4.9074 | 4.8359 | - | - | - | - | - | - | - |
| Japan | (Y) | 167.608 | +0.771 | 529 - 687 | 167.687 | 166.560 | 166.883 | 5.2 | 165.398 | 5.5 | 158.978 | 5.1 | 134.1 |
| Malaysia | (M$) | 3.8577 | +0.0053 | 567 - 587 | 3.8587 | 3.8454 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.2432 | +0.0018 | 416 - 447 | 2.2447 | 2.2298 | 2.2482 | -2.7 | 2.2576 | -2.6 | 2.2915 | -2.2 | 108.0 |
| Philippines | (Peso) | 40.5135 | +0.0291 | 514 - 755 | 40.5755 | 40.4514 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.8027 | +0.0084 | 013 - 041 | 5.8041 | 5.7984 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.1837 | +0.0045 | 826 - 849 | 2.1849 | 2.1761 | - | - | - | - | - | - | - |
| South Africa | (R) | 7.0584 | +0.0124 | 631 - 736 | 7.0736 | 7.0367 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1263.47 | +2.09 | 615 - 880 | 1268.80 | 1264.26 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 42.5905 | +0.104 | 845 - 965 | 42.5965 | 42.4131 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 39.1210 | +0.0646 | 058 - 363 | 39.1363 | 39.0090 | - | - | - | - | - | - | - |

† Rates for Aug 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Aug 20 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 10.4805 | +0.0075 | 778 - 831 | 10.5018 | 10.4665 | 10.461 | 2.2 | 10.419 | 2.3 | 10.2365 | 2.3 | 105.2 |
| Belgium | (BFr) | 30.6750 | +0.0155 | 700 - 800 | 30.7320 | 30.6550 | 30.62 | 2.2 | 30.505 | 2.2 | 29.965 | 2.3 | 106.9 |
| Denmark | (DKr) | 5.7510 | -0.002 | 495 - 525 | 5.7628 | 5.7458 | 5.7438 | 1.6 | 5.7265 | 1.7 | 5.6575 | 1.6 | 107.2 |
| Finland | (FM) | 4.4806 | +0.0077 | 773 - 843 | 4.4957 | 4.4708 | 4.4743 | 1.7 | 4.4623 | 1.7 | 4.4168 | 1.4 | 85.2 |
| France | (FFr) | 5.0875 | -0.0031 | 870 - 880 | 5.0995 | 5.0850 | 5.0806 | 1.6 | 5.0683 | 1.7 | 4.9985 | 1.7 | 108.2 |
| Germany | (DM) | 1.4893 | +0.0011 | 890 - 896 | 1.4928 | 1.4876 | 1.4868 | 2.0 | 1.481 | 2.2 | 1.4528 | 2.5 | 108.7 |
| Greece | (Dr) | 237.835 | +0.16 | 780 - 890 | 238.180 | 237.200 | 239.51 | -8.5 | 242.86 | -8.5 | 256.835 | -8.0 | 66.8 |
| Ireland | (I£) | 1.6067 | +0.0011 | 060 - 073 | 1.6073 | 1.6025 | 1.6073 | -0.4 | 1.6081 | -0.4 | 1.5997 | 0.4 | - |
| Italy | (L) | 1517.88 | +0.79 | 750 - 825 | 1519.49 | 1512.82 | [illegible] | -3.8 | 1530.78 | -3.4 | 1553.53 | -2.3 | 76.9 |
| Luxembourg | (LFr) | 30.6750 | +0.0155 | 700 - 800 | 30.7320 | 30.6550 | 30.622 | 2.1 | 30.5155 | 2.1 | 30.035 | 2.1 | 106.9 |
| Netherlands | (Fl) | 1.6703 | +0.0015 | 700 - 705 | 1.6759 | 1.6687 | 1.6669 | 2.4 | 1.6596 | 2.5 | 1.629 | 2.5 | 106.9 |
| Norway | (NKr) | 6.4346 | +0.0003 | 306 - 385 | 6.4431 | 6.3945 | 6.4316 | 0.6 | 6.4261 | 0.5 | 6.3896 | 0.7 | 97.7 |
| Portugal | (Es) | 152.750 | +0.15 | 700 - 800 | 152.940 | 152.640 | 153.065 | -2.5 | 153.656 | -2.4 | 155.8 | -2.0 | 95.6 |
| Spain | (Pta) | 125.910 | -0.035 | 890 - 930 | 126.080 | 125.700 | 126.18 | -2.4 | 126.59 | -2.2 | 128.13 | -1.8 | 80.8 |
| Sweden | (SKr) | 6.6059 | -0.0264 | 015 - 102 | 6.6321 | 6.5995 | 6.606 | 0.2 | 6.6074 | -0.1 | 6.5824 | 0.4 | 86.5 |
| Switzerland | (SFr) | 1.2083 | +0.0012 | 080 - 085 | 1.2118 | 1.2065 | 1.2047 | 3.5 | 1.1973 | 3.6 | 1.1638 | 3.7 | 112.7 |
| UK | (£) | 1.5472 | +0.0017 | 469 - 475 | 1.5475 | 1.5428 | 1.5467 | 0.4 | 1.546 | 0.3 | 1.5467 | 0.0 | 84.2 |
| Ecu | - | 1.2643 | -0.0014 | 640 - 645 | 1.2666 | 1.2614 | 1.2651 | -0.7 | 1.2667 | -0.8 | 1.2755 | -0.9 | - |
| SDR† | - | 0.68720 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9996 | - | 995 - 997 | 0.9999 | 0.9985 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.0141 | +0.0009 | 140 - 142 | 1.0142 | 1.0135 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3733 | -0.0007 | 730 - 736 | 1.3763 | 1.3723 | 1.3731 | 0.1 | 1.3734 | 0.0 | 1.3762 | -0.2 | 82.9 |
| Mexico | (New Peso) | 7.4765 | -0.0075 | 740 - 790 | 7.4800 | 7.4750 | 7.638 | -25.9 | 7.823 | -18.5 | 9.5865 | -28.2 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 97.2 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.2718 | +0.006 | 715 - 720 | 1.2726 | 1.2715 | 1.2736 | -1.9 | 1.2773 | -1.7 | 1.296 | -1.9 | 94.1 |
| Hong Kong | (HK$) | 7.7343 | +0.0005 | 338 - 345 | 7.7346 | 7.7338 | 7.735 | -0.1 | 7.7366 | -0.1 | 7.7638 | -0.4 | - |
| India | (Rs) | 35.6000 | - | 000 - 000 | 35.8000 | 35.4000 | 35.75 | -5.1 | 36.055 | -5.1 | 37.525 | -5.4 | - |
| Israel | (Shk) | 3.1459 | -0.0021 | 443 - 475 | 3.1755 | 3.1276 | - | - | - | - | - | - | - |
| Japan | (Y) | 108.330 | +0.38 | 300 - 350 | 108.370 | 107.850 | 107.895 | 4.9 | 106.985 | 5.0 | 103.345 | 4.7 | 134.9 |
| Malaysia | (M$) | 2.4934 | +0.0007 | 932 - 935 | 2.4938 | 2.4913 | 2.5016 | -0.4 | 2.5004 | -1.1 | 2.5239 | -1.2 | - |
| New Zealand | (NZ$) | 1.4497 | -0.0004 | 491 - 503 | 1.4505 | 1.4491 | 1.4526 | -2.6 | 1.4586 | -2.5 | 1.4832 | -2.3 | - |
| Philippines | (Peso) | 26.1850 | -0.01 | 500 - 200 | 26.2200 | 26.1500 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7505 | - | 503 - 508 | 3.7506 | 3.7503 | 3.751 | -0.1 | 3.7517 | -0.1 | 3.755 | -0.1 | - |
| Singapore | (S$) | 1.4114 | +0.0013 | 109 - 119 | 1.4136 | 1.4095 | 1.4079 | 3.0 | 1.4019 | 2.7 | 1.3764 | 2.5 | - |
| South Africa | (R) | 4.5685 | +0.005 | 660 - 710 | 4.5710 | 4.5540 | 4.618 | -12.5 | 4.708 | -12.0 | 5.0436 | -10.4 | - |
| South Korea | (Won) | 819.850 | +0.45 | 800 - 900 | 820.100 | 819.300 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 27.5210 | +0.037 | 160 - 260 | 27.5260 | 27.4870 | 27.526 | -0.2 | 27.531 | -0.1 | - | - | - |
| Thailand | (Bt) | 25.2850 | +0.0075 | 800 - 900 | 25.2900 | 25.2760 | 25.3837 | -4.7 | 25.5875 | -4.8 | 26.47 | -4.7 | - |

† SDR rate per $ for Aug 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 19: Base average 1990=100.

## WORLD INTEREST RATES

### MONEY RATES

| August 20 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3¼ | 3¼ | [illegible] | [illegible] | [illegible] | 7.00 | 2.50 | - |
| week ago | 3¼ | 3¼ | [illegible] | [illegible] | [illegible] | 7.00 | 2.50 | - |
| France | [illegible] | [illegible] | [illegible] | [illegible] | 4⅛ | 3.55 | - | 4.75 |
| week ago | [illegible] | [illegible] | [illegible] | 4⅛ | [illegible] | 3.55 | - | 4.75 |
| Germany | [illegible] | [illegible] | [illegible] | 3¼ | [illegible] | 4.50 | 2.50 | 3.30 |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 4.50 | 2.50 | 3.30 |
| Ireland | [illegible] | [illegible] | [illegible] | [illegible] | 6 | - | - | 6.25 |
| week ago | 5½ | [illegible] | [illegible] | [illegible] | [illegible] | - | - | 6.25 |
| Italy | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 8.25 | 9.03 |
| week ago | 9 | [illegible] | [illegible] | [illegible] | [illegible] | - | 8.25 | 9.03 |
| Netherlands | [illegible] | [illegible] | 3 | [illegible] | 3¼ | - | 3.00 | 3.30 |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 3.00 | 3.30 |
| Switzerland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 1.50 | - |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 6.00 | 1.50 | - |
| US | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 5.00 | - |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 5.00 | - |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 0.50 | - |
| week ago | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 0.50 | - |
| ■ $ LIBOR FT London | | | | | | | | |
| Interbank Fixing | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| week ago | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| US Dollar CDs | - | 5.09 | 5.16 | 5.26 | 5.49 | - | - | - |
| week ago | - | 5.09 | 5.17 | 5.24 | 5.43 | - | - | - |
| ECU Linked Ds | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| week ago | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| SDR Linked Ds | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| week ago | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Aug 20 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Danish Krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D-Mark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dutch Guilder | 3 - 2⅞ | 3 - 2⅞ | [illegible] | [illegible] | [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portuguese Esc. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Can. Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lira | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.60 | 95.61 | +0.02 | 95.63 | 95.60 | 816 | 9122 |
| Dec | 95.63 | 95.62 | +0 | [illegible] | 95.61 | 484 | 8209 |
| Mar | 95.52 | 95.52 | +0.01 | 95.52 | 95.50 | 194 | 2917 |
| Jun | 95.31 | 95.33 | -0.01 | 95.33 | 95.31 | 54 | 2830 |

* LIFFE futures also traded on APT

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Aug 20 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.75 | 16.58 | 4.855 | 2.029 | 4947 | 5.445 | 20.98 | 497.9 | 410.5 | 21.53 | 3.938 | 2.107 | 4.477 | 3.260 | 353.1 | 2.579 |
| Denmark | (DKr) | 53.34 | 10 | 8.846 | 2.589 | 1.082 | 2639 | 2.904 | 11.19 | 265.6 | 218.9 | 11.49 | 2.100 | 1.124 | 2.388 | 1.739 | 188.4 | 1.376 |
| France | (FFr) | 60.30 | 11.30 | 10 | 2.927 | 1.223 | 2983 | 3.283 | 12.65 | 300.2 | 247.5 | 12.98 | 2.375 | 1.270 | 2.700 | 1.965 | 212.9 | 1.555 |
| Germany | (DM) | 20.60 | 3.862 | 3.416 | 1 | 0.418 | 1015 | 1.122 | 4.321 | 102.6 | 84.55 | 4.436 | 0.811 | 0.434 | 0.922 | 0.671 | 72.74 | 0.531 |
| Ireland | (I£) | 49.28 | 9.240 | 8.173 | 2.393 | 1 | 2438 | 2.683 | 10.34 | 245.4 | 202.3 | 10.61 | 1.941 | 1.038 | 2.207 | 1.606 | 174.0 | 1.271 |
| Italy | (L) | 2.021 | 0.379 | 0.335 | 0.098 | 0.041 | 100. | 0.110 | 0.424 | 10.06 | 8.298 | 0.435 | 0.080 | 0.043 | 0.091 | 0.066 | 7.138 | 0.052 |
| Netherlands | (Fl) | 18.37 | 3.443 | 3.046 | 0.892 | 0.373 | 908.7 | 1 | 3.853 | 91.45 | 75.39 | 3.955 | 0.723 | 0.387 | 0.822 | 0.599 | 64.86 | 0.474 |
| Norway | (NKr) | 47.67 | 8.938 | 7.907 | 2.314 | 0.967 | 2359 | 2.596 | 10. | 237.4 | 195.7 | 10.27 | 1.877 | 1.005 | 2.135 | 1.554 | 168.4 | 1.230 |
| Portugal | (Es) | 20.08 | 3.766 | 3.331 | 0.975 | 0.408 | 993.7 | 1.094 | 4.213 | 100. | 82.44 | 4.325 | 0.791 | 0.423 | 0.899 | 0.655 | 70.93 | 0.518 |
| Spain | (Pta) | 24.36 | 4.568 | 4.041 | 1.183 | 0.494 | 1205 | 1.326 | 5.110 | 121.3 | 100. | 5.246 | 0.959 | 0.513 | 1.091 | 0.794 | 86.04 | 0.628 |
| Sweden | (SKr) | 46.44 | 8.709 | 7.702 | 2.254 | 0.942 | 2297 | 2.528 | 9.741 | 231.2 | 190.6 | 10 | 1.829 | 0.978 | 2.079 | 1.514 | 164.0 | 1.196 |
| Switzerland | (SFr) | 25.39 | 4.761 | 4.211 | 1.233 | 0.515 | 1256 | 1.383 | 5.326 | 126.4 | 104.2 | 5.468 | 1 | 0.535 | 1.137 | 0.828 | 89.67 | 0.655 |
| UK | (£) | 47.46 | 8.898 | 7.871 | 2.304 | 0.963 | 2348 | 2.584 | 9.955 | 236.3 | 194.8 | 10.22 | 1.869 | 1 | 2.125 | 1.547 | 167.6 | 1.224 |
| Canada | (C$) | 22.33 | 4.187 | 3.704 | 1.084 | 0.453 | 1105 | 1.216 | 4.685 | 111.2 | 91.67 | 4.809 | 0.880 | 0.471 | 1 | 0.728 | 78.87 | 0.576 |
| US | ($) | 30.68 | 5.752 | 5.088 | 1.489 | 0.622 | 1518 | 1.670 | 6.435 | 152.7 | 125.9 | 6.606 | 1.208 | 0.646 | 1.374 | 1 | 108.3 | 0.791 |
| Japan | (Y) | 28.32 | 5.309 | 4.696 | 1.375 | 0.575 | 1401 | 1.542 | 5.940 | 141.0 | 116.2 | 6.098 | 1.115 | 0.597 | 1.268 | 0.923 | 100. | 0.730 |
| Ecu | | 38.77 | 7.270 | 6.431 | 1.882 | 0.787 | 1918 | 2.111 | 8.133 | 193.1 | 159.2 | 8.350 | 1.527 | 0.817 | 1.736 | 1.264 | 136.9 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.6733 | 0.6719 | -0.0013 | 0.6721 | 0.6711 | 10,384 | 64,439 |
| Dec | 0.6770 | 0.6753 | -0.0017 | 0.6758 | 0.6751 | 733 | 5,157 |
| Mar | - | 0.6814 | - | - | - | 1 | 866 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.9310 | 0.9266 | -0.0045 | 0.9298 | 0.9260 | 4,430 | 82,378 |
| Dec | 0.9417 | 0.9380 | -0.0046 | 0.9417 | 0.9380 | 675 | 6,070 |
| Mar | - | 0.9540 | - | - | - | 6 | 166 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.8306 | 0.8292 | -0.0012 | 0.8306 | 0.8276 | 5,116 | 35,337 |
| Dec | 0.8369 | 0.8356 | -0.0015 | [illegible] | 0.8346 | 125 | 2,605 |
| Mar | - | 0.8440 | - | - | - | 10 | 612 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 1.5448 | 1.5446 | +0.0002 | 1.5454 | 1.5440 | 3,749 | 47,697 |
| Dec | 1.5410 | 1.5440 | +0.0008 | 1.5450 | 1.5430 | 76 | 1,292 |
| Mar | - | 1.5480 | - | - | 1.5420 | 3 | 9 |

## UK INTEREST RATES

### LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

### EMS EUROPEAN CURRENCY UNIT RATES

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

### BASE LENDING RATES



P.T. BANK NEGARA INDONESIA,
HONG KONG BRANCH

US$ 151,500,000.- FLOATING RATE NOTES due 1997 ("THE NOTES")

Pursuant to Condition 5 (B) of the Terms and Conditions of the Notes, Notice is hereby given that, at the option of the holders, the Notes are redeemable at their principal amount on 18th October, 1996. To exercise the option, the holders should deposit their Notes with the Paying Agent between the 18th August, 1996 and the 18th September, 1996, stating their intention to redeem such Notes pursuant to Condition 5 (B).

According to Condition 6, in case of redemption prior to maturity, Notes should be presented for payment together with unmatured Coupons appertaining thereto. Unmatured Coupons shall become void and no payment shall be due in respect thereof.

Fuji Bank (Luxembourg) S.A.
Fiscal, Paying and Listing Agent.

**COMMODITIES AND AGRICULTURE**

# Botswana signs up for five more years in De Beers' diamond cartel

By Kenneth Gooding, Mining Correspondent

Debswana of Botswana, the world's biggest diamond producer in value terms and which accounts for about 80 per cent of the country's export earnings, has signed a new five-year agreement with the international rough (uncut) diamond cartel operated by De Beers' Central Selling Organisation.

The company is also to increase annual capacity by 35 per cent, from about 17m to 23m carats, by doubling production at its Orapa mine at a cost of more than US$300m.

Although Debswana was expected to remain in the cartel – it is half-owned by De Beers – its signature on a new agreement with the CSO is heartening for the South African group, which is struggling to agree a contract with Russia and recently saw the departure from the cartel of the Argyle mine in Australia, in volume terms the world's biggest diamond producer.

De Beers insisted yesterday that the Orapa expansion had been under consideration for some time and had not been triggered by the departure of Argyle from the CSO.

Increased output from Orapa is scheduled to start coming to market in 2000 at which time the first of the diamond mines in Canada's Northwest Territories should be up and running. A De Beers' official insisted that there was room for production from both sources.

De Beers saw retail diamond sales growing by about 5 per cent a year for at least the next four to five years and that might lead to a shortage, he pointed out.

The Orapa expansion, which will be financed by entirely by De Beers and the Botwana government, the South African group's partner in Debswana, will be the largest single mining project ever undertaken in Botswana. De Beers said it would create up to 2,000 jobs during construction and 300 additional permanent jobs at Orapa.

Orapa is one of the world's lowest-cost big diamond mines producing mainly medium quality gem stones. According to estimates by Diamond International, published by the CRU International consultancy group, the average value of Orapa rough diamonds is $60 a carat compared with $95 for Jwaneng, Debswana's biggest mine and widely believed to be the richest diamond mine in the world. An expansion of Jwaneng by one third was completed in 1994 at a cost of $160m.

# NZ dairy farmers enjoy 20% income boost

By Terry Hall in Wellington

New Zealand's dairy farmers are enjoying a 20 per cent rise in their incomes following the completion of a record-breaking season. In a year marked by higher production and good prices in export markets, the industry earned a total NZ$5.3bn (US$3.6bn), up from NZ$5bn last year.

However, the outlook for the new season is not nearly so good. The Dairy Board believes that the likely payout will be nearer the levels of last year, at around NZ$3.20 a kilogram of milk solids, compared with NZ$3.60 in the season just ended.

This year's return has been increased by "top up" payments from the local dairy companies giving an average return to dairy farmers of NZ$4.02 a kilogram of milk solids, the highest most have ever earned.

The season was an extremely positive one helped by good weather, which encouraged the grass growth that led to a 7.4 per cent rise in production, the board says in its annual report released yesterday. World dairy prices rose to high levels in the first half of the season, to December, with butter, for example, fetching as much as US$2,600 a tonne. The prices fell in the second half, however, to around US$1,600, where it remains.

No significant price changes are expected before Christmas – which has led the board to predict lower overall prices this season. Contracts for the bulk of the board's sales are agreed with customers at prices ruling around this time of the year.

Apart from a likely drop in unit returns, however, farmers can look forward another exceptionally good year. Production is expected to hit another record at about 820m kg of milk solids, compared with 780m in the season just ended – which was up from 732m in 1994-1995. The weather has also been generally favourable, leading to expectations of another year of good grass growth.

Modern farm techniques are helping farmers to cope with an exceptionally wet winter, which the board says has enabled them to avoid the worst of pasture damage that might have once turned made their paddocks resemble paddy fields.

Board spokesman Mr Neville Martin says the outlook for international cheese prices is bright, with demand booming as a result of the proliferation of fast-food outlets outside the US. In the past season these sales doubled in value to $NZ209m, with particularly strong growth in Asia and Latin America. The board supplies cheese to McDonald's outlets in 16 countries.

On a more negative note, board chief executive Mr Warren Larsen told a news conference that the board faced greater competition when the new season started next month, and there were problems for milk powder in a number of key markets. However, further improvements were expected in consumer milk powders and fast food service outlets.

In the past year the board continued to switch from being a commodity supplier to concentrating on added value products. Consumer product sales rose by NZ$100m to NZ$210m.

South-East Asia was the largest regional market with sales of NZ$1.2bn. Latin America came next with NZ$1.07bn and Europe third with NZ$1.05bn. Sales to North America totalled NZ$452m and to the Middle East NZ$368m.

# Indian copper smelting expansion still on track

## Kunal Bose reports on projects that will cut the country's growing supply deficit in the metal

Three Indian business groups and Metdist of the UK remain firm in their resolve to build new copper smelters in India, in spite of the price fall prompted by the Sumitomo scandal.

Hindustan Copper, a federal government undertaking and the country's lone producer of the metal, is awaiting cabinet approval for a substantial expansion of capacity of one of its two smelters.

"We are enthused by studies showing a strong growth in demand for copper in India in the coming years," says Mr Apurv Bagri, director of Metdist and son of Mr Raj Bagri, chairman of the London Metal Exchange. "I am sure that the metal to be produced by the new smelters will find a ready market in the country. In the event there is some surplus at any point of time, the metal can very easily be exported."

The Metdist project is the most ambitious of the four Indian smelters in the pipeline. Mr Bagri says Metdist will build a 150,000-tonnes-a-year smelter in technical and financial collaboration with Mitsubishi Material Corporation of Japan.

"We have opted for the Mitsubishi continuous smelter technology, which besides being highly energy efficient is extremely environment friendly," he explains.

The refinery will be based on the ISA process supplied by Mount Isa Mines of Australia. "You will find that every new project in the country will be using the ISA refining process," says Mr Bagri.

The $560m Metdist project, to be located at Pipavav in the western Indian state of Gujarat, will include an 80,000-tonnes-a-year copper rod plant and captive jetty to handle imported copper concentrate. The jetty will also come in handy if Metdist needs to export copper cathode or rod.

According to industry officials, Metdist plans to build downstream facilities, including a copper tube mill specially designed to meet growing demand from manufacturers of domestic air conditioner and refrigerators.

Metdist's MetTube, in which Mitsubishi has a 15 per cent stake, is the largest producer of copper tube in Malaysia. The Japanese company has indicated to Metdist that it will also take a 15 per cent interest the Indian venture.

Indo Gulf Fertilisers, a Kumar Mangalam Birla group company, is constructing a 100,000-tonnes-a-year smelter at Bharuch in Gujarat at a cost of Rs16bn (US$450m) "to take advantage of the 6 to 7 per cent annual growth in the demand for copper in the country," according to Mr B.N. Puranmalka, managing director. "The core equipment of the smelter will be so designed as to allow capacity expansion to 150,000 tonnes at a marginal capital investment," he says.

The Metdist smelter will be expandable to 200,000 tonnes a year.

Outokumpu is supplying Indo Gulf with the smelter and a precious metal recovery plant, which will "yield three tonnes of gold and 30 tonnes of silver a year", improving the viability of the project.

As with the Metdist project, the feedstock for the Indo Gulf smelter will be imported copper concentrate, in this case from Chile, Canada, Australia, the Philippines, Indonesia and Papua New Guinea. It will have a jetty to handle ships of up to 30,000 tonnes and a 24.5MW power plant. The Finnish Export Credit Agency has arranged for the foreign line of credit for the project.

Sterlite Industries will be the first of the four new smelters to start production. Its 100,000-tonnes-a-year smelter at Tuticorin in the southern state of Tamil Nadu should be operational by September. This will also be fed by imported concentrate.

Swil, the large Indian engineering group, will be the first company to use secondary smelting technology to produce copper in India. Its 50,000-tonnes-a-year smelter at Bharuch will produce copper cathode from copper-bearing scrap, residues and irony copper.

Mr Sunil Khaitan, deputy managing director, says Swil is planning to export 20,000 tonnes of copper cathode a year once the smelter has achieved full capacity.

Meanwhile, Hindustan Copper is confident of getting cabinet approval for expanding the capacity of its smelter at Khetri in Rajasthan to 100,000-tonnes-a-year from 31,000.

According to Mr K.N. Ghosh, chairman, "a new 70,000 tonne smelter and refinery will cost well over Rs12bn. But since the infrastructure is already in place at Khetri, we should be able to have the extra capacity at a cost of Rs5bn. The furnace at Khetri can handle 100,000 tonnes".

Industry officials think that the government will allow the expansion of the Khetri smelter as Hindustan Copper is not asking for budgetary support. More importantly, against the country's current consumption of over 275,000 tonnes of copper, the domestic production of the metal is only about 42,000 tonnes.

According to Dr L.R. Vaidyanath, director of Indian Copper Development Centre, India will need 450,000 tonnes of copper by 2001. Considerable foreign exchange savings could be made if the country imported copper concentrate and scrap for smelting instead of copper cathode and wire rod.

The local smelters will enjoy a great degree of tariff protection as the customs duty on copper cathode and rod is at least three times higher than copper concentrate and scrap.

MARKET REPORT

# Copper prices drift

COPPER prices drifted lower on the London Metal Exchange yesterday, weighed down by light Far Eastern selling, a rise in exchange warehouse stocks and weakening nearby premiums.

The three months delivery price finished after hours "kerb" trading at $1,931 a tonne, down $11, and the cash premium narrowed from $57 to $40-$45. Analysts were not ruling out further losses in the short term as bearish sentiment prevailed.

"In the short term we could see a test of $1,900 support, and $1,880 would need to hold below that," said Mr William Adams of Rudolf Wolff. "I don't think the market is looking particularly strong at the moment."

Compiled from Reuters

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes

| | | |
|---|---|---|
| Aluminium | +2,900 | to 928,975 |
| Aluminium alloy | –300 | to 85,820 |
| Copper | +5,000 | to 247,800 |
| Lead | +1,075 | to 102,775 |
| Nickel | +114 | to 25,250 |
| Zinc | –4,050 | to 561,000 |
| Tin | +156 | to 11,115 |

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE** (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1450.5-51.5 | 1485-86 |
| Previous | 1451-52 | 1486-87 |
| High/low | 1447.5 | 1496/1482 |
| AM Official | 1447-47.5 | 1482.5-83.0 |
| Kerb close | | 1489-90 |
| Open int. | 217,141 | |
| Total daily turnover | 66,713 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | | |
|---|---|---|
| Close | 1242-47 | 1275-81 |
| Previous | 1247-52 | 1281-85 |
| High/low | 1250 | 1285/1280 |
| AM Official | 1250-55 | 1280-85 |
| Kerb close | | 1280-83 |
| Open int. | 4,831 | |
| Total daily turnover | 1,302 | |

■ LEAD ($ per tonne)

| | | |
|---|---|---|
| Close | 823-24 | 822-23 |
| Previous | 820-21 | 819-20 |
| High/low | | 827/820.5 |
| AM Official | 820-21 | 820-21 |
| Kerb close | | 823-24 |
| Open int. | 33,469 | |
| Total daily turnover | 7,528 | |

■ NICKEL ($ per tonne)

| | | |
|---|---|---|
| Close | 7025-30 | 7125-30 |
| Previous | 7030-40 | 7130-40 |
| High/low | 6975 | 7180/7070 |
| AM Official | 6973-75 | 7080-85 |
| Kerb close | | 7160-80 |
| Open int. | 39,003 | |
| Total daily turnover | 14,005 | |

■ TIN ($ per tonne)

| | | |
|---|---|---|
| Close | 6085-95 | 6145-50 |
| Previous | 6090-95 | 6160-65 |
| High/low | 6099 | 6160/6145 |
| AM Offical | 6098-99 | 6150-55 |
| Kerb close | | 6160-70 |
| Open int. | 15,689 | |
| Total daily turnover | 3,750 | |

■ ZINC, special high grade ($ per tonne)

| | | |
|---|---|---|
| Close | 1004.5-5.5 | 1031-32 |
| Previous | 1007.5-8.5 | 1034.5-35 |
| High/low | 1006 | 1036/1029 |
| AM Official | 1005.5-6.5 | 1032.5-33 |
| Kerb close | | 1030/31 |
| Open int. | 84,443 | |
| Total daily turnover | 19,871 | |

■ COPPER, grade A ($ per tonne)

| | | |
|---|---|---|
| Close | 1974-77 | 1927-28 |
| Previous | 2000-3 | 1942-43 |
| High/low | 1985 | 1952/1924 |
| AM Official | 1984-86 | 1940-42 |
| Kerb close | | 1931-32 |
| Open int. | 206,384 | |
| Total daily turnover | 72,504 | |

■ LME AM Official £/$ rate: 1.5453
LME Closing £/$ rate: 1.5475

Spot: 1.5475 3 mths: 1.5464 6 mths: 1.5453 9 mths: 1.5453

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 91.20 | –2.25 | 92.50 | 91.20 | 381 | 1,495 |
| Sep | 90.90 | –2.35 | 93.00 | 90.75 | 7,545 | 13,982 |
| Oct | 90.30 | –2.15 | 91.40 | 90.30 | 237 | 1,550 |
| Nov | 89.80 | –1.95 | 90.70 | 90.70 | 14 | 1,283 |
| Dec | 89.00 | –1.95 | 90.90 | 88.70 | 1,653 | 18,631 |
| Jan | 88.50 | –1.90 | 88.80 | 88.80 | 1 | 975 |
| Total | | | | | 9,893 | 58,417 |

### PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 387.20-387.60 | | |
| Opening | 387.40-387.80 | | |
| Morning fix | 387.10 | 250.372 | 468.043 |
| Afternoon fix | 387.10 | 250.437 | 467.733 |
| Day's High | 387.50-387.90 | | |
| Day's Low | 387.10-387.50 | | |
| Previous close | 386.45-386.75 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 4.38 | 6 months | 4.04 |
| 2 months | 4.34 | 12 months | 3.98 |
| 3 months | 4.30 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 336.75 | 520.25 |
| 3 months | 341.20 | 526.85 |
| 6 months | 345.65 | 533.70 |
| 1 year | 354.65 | 547.40 |
| **Gold Coins** | **$ price** | **£ equiv.** |
| Krugerrand | 386-390 | 248-251 |
| Maple Leaf | 396.25-398.75 | |
| New Sovereign | 86-90 | 56-58 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 387.6 | +0.5 | 387.9 | 387.3 | 32 | 127 |
| Oct | 390.0 | +0.5 | 390.0 | 389.3 | 217 | 11,216 |
| Dec | 392.9 | +0.5 | 393.0 | 392.2 | 16,161 | 72,576 |
| Feb | 395.3 | +0.5 | 395.0 | 394.9 | 20 | 11,844 |
| Apr | 397.7 | +0.5 | 397.4 | 397.0 | 114 | 5,842 |
| Jun | 400.2 | +0.5 | 400.0 | 400.0 | 588 | 11,826 |
| Total | | | | | 18,745 | 167,117 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 403.1 | +1.6 | 404.9 | 403.0 | 1,580 | 19,288 |
| Jan | 405.1 | +1.6 | 406.5 | 405.0 | 129 | 3,140 |
| Apr | 407.4 | +1.6 | 408.7 | 408.5 | 150 | 2,849 |
| Jul | 409.8 | +1.6 | – | – | 1 | 153 |
| Oct | 413.3 | +1.6 | – | – | 8 | 2 |
| Total | | | | | 1,858 | 25,541 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 127.25 | +1.50 | 127.50 | 125.90 | 479 | 4,154 |
| Dec | 128.10 | +1.60 | 128.10 | 126.75 | 366 | 4,860 |
| Mar | 129.20 | +1.60 | – | – | 2 | 116 |
| Jun | 130.25 | +1.60 | 129.00 | 129.00 | – | 109 |
| Total | | | | | 847 | 9,239 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 519.6 | – | 516.0 | 516.0 | 2 | 4 |
| Sep | 521.0 | – | 523.0 | 517.0 | 36,882 | 43,425 |
| Dec | 529.1 | – | 531.0 | 525.0 | 9,590 | 37,150 |
| Mar | 537.1 | – | 537.0 | 534.0 | 452 | 8,435 |
| May | 542.2 | – | 546.0 | 536.0 | 22 | 5,515 |
| Jul | 547.0 | – | 548.0 | 546.0 | 180 | 4,224 |
| Total | | | | | 46,899 | 108,797 |

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 22.87 | –0.39 | 23.20 | 22.60 | 42,738 | 28,494 |
| Oct | 22.25 | –0.22 | 22.43 | 22.10 | 41,736 | 81,832 |
| Nov | 21.87 | –0.17 | 21.81 | 21.54 | 8,801 | 38,179 |
| Dec | 21.10 | –0.16 | 21.23 | 20.97 | 8,819 | 45,459 |
| Jan | 20.63 | –0.13 | 20.79 | 20.52 | 3,039 | 30,390 |
| Feb | 20.20 | –0.17 | 20.35 | 20.15 | 2,128 | 21,267 |
| Total | | | | | 114,307 | 378,858 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 20.72 | –0.13 | 20.80 | 20.58 | 13,000 | 70,818 |
| Nov | 20.24 | –0.17 | 20.27 | 20.09 | 6,471 | 14,185 |
| Dec | 19.75 | –0.17 | 19.80 | 19.66 | 2,040 | 17,760 |
| Jan | 19.35 | –0.08 | 19.35 | 19.28 | 1,691 | 13,545 |
| Feb | 18.95 | –0.06 | 18.95 | 18.84 | 1,864 | 7,895 |
| Mar | 18.58 | –0.03 | 18.58 | 18.54 | 1,261 | 4,480 |
| Total | | | | | 28,021 | 145,676 |

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 61.90 | –0.88 | 62.50 | 61.50 | 9,145 | 28,246 |
| Oct | 61.90 | –0.66 | 62.50 | 61.51 | 4,704 | 21,478 |
| Nov | 62.00 | –0.56 | 62.60 | 61.70 | 2,900 | 12,546 |
| Dec | 62.00 | –0.56 | 62.20 | 61.80 | 5,781 | 25,592 |
| Jan | 61.60 | –0.41 | 61.70 | 61.35 | 2,804 | 12,813 |
| Feb | 60.15 | –0.31 | 60.20 | 59.80 | 2,042 | 7,793 |
| Total | | | | | 29,396 | 123,767 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 188.25 | –0.25 | 190.00 | 186.50 | 7,710 | 24,070 |
| Oct | 187.00 | +0.50 | 188.00 | 185.50 | 2,872 | 10,452 |
| Nov | 185.50 | +0.75 | 186.00 | 184.00 | 1,244 | 5,777 |
| Dec | 183.75 | +0.50 | 184.00 | 182.50 | 1,363 | 14,225 |
| Jan | 181.25 | +0.50 | 181.75 | 180.25 | 601 | 5,304 |
| Feb | 177.50 | –0.25 | 178.00 | 176.50 | 202 | 1,351 |
| Total | | | | | 14,892 | 70,125 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 2.115 | –0.072 | 2.215 | 2.085 | 13,528 | 23,968 |
| Oct | 2.190 | –0.084 | 2.280 | 2.165 | 5,840 | 28,027 |
| Nov | 2.280 | –0.067 | 2.365 | 2.270 | 1,570 | 14,334 |
| Dec | 2.350 | –0.056 | 2.425 | 2.335 | 1,558 | 15,951 |
| Jan | 2.350 | –0.056 | 2.420 | 2.340 | 630 | 12,116 |
| Feb | 2.285 | –0.041 | 2.340 | 2.265 | 420 | 7,188 |
| Total | | | | | 24,317 | 142,536 |

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 64.35 | –0.92 | 65.20 | 64.10 | 13,880 | 24,143 |
| Oct | 62.60 | –0.89 | 63.20 | 62.30 | 6,389 | 18,312 |
| Nov | 60.65 | –0.74 | 61.55 | 60.40 | 1,858 | 8,154 |
| Dec | 59.25 | [illegible] | 59.75 | 58.85 | 428 | 4,005 |
| Jan | 58.60 | – | 58.60 | 57.85 | 360 | 3,902 |
| Feb | 58.00 | –0.60 | 58.10 | 58.00 | 130 | 1,640 |
| Total | | | | | 23,477 | 62,432 |

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT

[illegible]

■ MAIZE CBT

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT

[illegible]

■ SOYABEAN OIL CBT

[illegible]

■ SOYABEAN MEAL CBT

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE

[illegible]

FUTURES DATA
*All futures data supplied by CMS.*

### SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 91.375 | –2.000 | 92.000 | 91.375 | 382 | 798 |
| Feb | 81.800 | –1.225 | 83.600 | 81.400 | 1,769 | 4,097 |
| Mar | 81.300 | –1.250 | 82.750 | 81.100 | 116 | 618 |
| May | 80.600 | –1.150 | 81.900 | 80.400 | 99 | 259 |
| Jul | 81.000 | –0.500 | 80.500 | 80.200 | 4 | 44 |
| Aug | 78.000 | –0.400 | 80.250 | 80.000 | 3 | 6 |
| Total | | | | | 2,384 | 5,813 |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| ■ ALUMINIUM (99.7%) LME | Sep | Dec | Sep | Dec |
|---|---|---|---|---|
| 1400 | 63 | 130 | 7 | 22 |
| 1500 | 22 | 69 | 46 | 59 |
| 1600 | 5 | 31 | 128 | 119 |
| **■ COPPER (Grade A) LME** | **Sep** | **Dec** | **Sep** | **Dec** |
| 1900 | 98 | 106 | 41 | 107 |
| 2000 | 46 | 67 | 91 | 166 |
| 2100 | 19 | 40 | 163 | 237 |
| **■ COFFEE LCE** | **Sep** | **Nov** | **Sep** | **Nov** |
| 1600 | 80 | 123 | - | 69 |
| 1650 | 33 | 97 | 3 | 93 |
| 1700 | 5 | 76 | 25 | 122 |
| **■ COCOA LCE** | **Sep** | **Dec** | **Sep** | **Dec** |
| 975 | 44 | 91 | - | 25 |
| 1000 | 21 | 78 | 2 | 36 |
| 1025 | 5 | 62 | 11 | 45 |
| **■ BRENT CRUDE IPE** | **Oct** | **Nov** | **Oct** | **Nov** |
| 2000 | 102 | - | 55 | - |
| 2050 | - | 80 | - | 53 |
| 2100 | 52 | - | - | - |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

| | | +or- |
|---|---|---|
| Dubai | $18.65-8.74 | -0.205 |
| Brent Blend (dated) | $21.27-1.32 | -0.390 |
| Brent Blend (Oct) | $20.66-0.68 | -0.130 |
| W.T.I. | $22.26-2.29x | -0.055 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $219-221 | -1 |
| Gas Oil | $189-190 | -0.5 |
| Heavy Fuel Oil | $93-95 | +1 |
| Naphtha | $192-194 | -1.5 |
| Jet fuel | $216-217 | -0.5 |
| Diesel | $191-192 | |

■ NATURAL GAS (Pence/therm)

| | | |
|---|---|---|
| Bacton (Sep) | 14.45-14.70 | -0.125 |

*Petroleum Argus. Tel. London (0171) 359 8792*

■ OTHER

| | | |
|---|---|---|
| Gold (per troy oz)♣ | $387.40 | +0.60 |
| Silver (per troy oz)♣ | 522.50c | +11.0 |
| Platinum (per troy oz.) | $399.25 | +1.00 |
| Palladium (per troy oz.) | $125.00 | +1.00 |
| Copper | 98.0c | |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 14.97r | -0.08 |
| Tin (New York) | 286.50 | +1.00 |
| Cattle (live weight) | 98.10p | -1.05* |
| Sheep (live weight) | 110.91p | +2.73* |
| Pigs (live weight)† | 112.46p | +0.04* |
| Lon. day sugar (raw) | $309.30 | +2.40 |
| Lon. day sugar (wte) | $374.60 | +4.00 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | $141.5v | |
| Wheat (US Dark North) | Unq | |
| Rubber (Sep)♥ | 98.25p | |
| Rubber (Oct)♥ | 99.25p | |
| Rubber (KL RSS No1) | 321.00m | -0.50 |
| Coconut Oil (Phil)§ | $790.0w | -10.0 |
| Palm Oil (Malay.)§ | $525.0 | +10.0 |
| Copra (Phil)§ | $486.0w | -22.0 |
| Soyabeans (US) | 224.0 | -2.0 |
| Cotton Outlook'A' index | 75.90c | -0.40 |
| Wooltops (64s Super) | 425p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Sep. x Oct. w Jul/Aug. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 421 head of pigs sold.

**Minor Metals**

[illegible]

**VOLUME DATA**

[illegible]

### INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

■ GSCI Spot (Base: 1970=100)

[illegible]

**JOTTER PAD**

## CROSSWORD

No.9,152 Set by CINEPHILE

**ACROSS**

1 There was a young man of —— .... (8)
5 .... And that's why they put him ——: .... (6)
9 .... The name of —— —— .... (3,5)
10 .... Did all scruples ——, .... (6)
12 .... His mother-in-law —— and —— (5)
13 Underwater worker and male person going different ways (9)
14 A first prize, including English, being part of history? (3-8)
16 When a doctor should and we shouldn't waste water? (7)
19 Comedian Will gets a message that's disorderly (7)
21 Sailor sent away (6)
23 Assessment by a friend about ill-assorted pairs (9)
25 Amount of work to evoke jealousy? You need not say (5)
26 Shade of a sister (Church of England) accepting article (6)
27 Turn Queen's may precede (8)
28 The French abbreviation for Britain, solvers, is extra (3-3)
29 Cooker delivered in bank with direction (8)

**DOWN**

1 Supplies clothes etc to companion of no real artistic value (6)
2 Sir Peter the painter takes in point on circle with a suggestive look (9)
3 Kept under with straight lines (5)
4 Definite action to circumvent detectives (7)
6 Four in sea could be wicked (9)
7 First class? Not pleased (5)
8 Sloth, perhaps, in the garden gallery (8)
11 Before 1970 a tanner was very keen (4)
15 Ruling clique upset by girl? Och ay! (9)
17 Signal to start one in race investigated by Scott? (3-6)
18 Explosive fragments upset her plans (8)
20, 1 across "Braeside", kilt maker to the New Town (4,8)
21, 9 Absolutely finished article: spot it's disorderly (3,4,3,5)
22 Humiliate me when a churchman's about (6)
24 Piano made musical sound by accident (5)
25 Precious stone – a little diamond? – far from fresh (5)

Solution 9,151

# FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### BERMUDA (REGULATED)(**)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)(**)

### IRELAND (SIB RECOGNISED)

### IRELAND (REGULATED)(**)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (SIB RECOGNISED)

### JERSEY (REGULATED)(**)

Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

### TSB Fund Managers (CI) Ltd

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| TSB Island Pension | 729.8 | 768.4 | +2.2 | - |
| Island Equity Acc | 129.2 | 135.0 | +0.8 | - |

### WMB Asset Management (Jersey) Ltd

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| Plan 50 Em Mkts Dollar Income | $1009.29 | 1009.42 | ... | - |

### Worldinvest (Managers) Jersey Ltd

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| Worldinvest Inc Fd † | $258.82 | 260.13 | ... | 5.78 |
| Excalibur Global Eqty $ * | $78.76 | 79.16 | -0.04 | - |
| Excalibur Stg Global Fixed Inc* | £11.94 | 12.01 | ... | 4.64 |

Valued weekly. * Mondays. † Wednesdays.

## LUXEMBOURG (SIB RECOGNISED)

### ABN AMRO Funds (u)

4 Rue Jean Monnet, L-2180 Luxembourg 352 4249 [illegible]

## LUXEMBOURG (REGULATED)(**)

## OFFSHORE INSURANCES

هكذا من الاصل



# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Old Mutual International - Contd.

Alpha Fund Management Ltd

Arcadia Capital Advisors LLC

Arc Investment Company Ltd

PanEurolife société anonyme

Premier Life

India Investment AG

Lloyd George Management

Orion Capital Advisors Ltd

Sloane Robinson Investment Mngmt Ltd

Smith Barney Funds



Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

## OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

## BANKS, MERCHANT

## BANKS, RETAIL

## BREWERIES, PUBS & REST

## BUILDING & CONSTRUCTION

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## CHEMICALS - Cont.

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ELECTRONIC & ELECTRICAL EQPT - Cont.

## ENGINEERING

## ENGINEERING - Cont.

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## EXTRACTIVE INDUSTRIES - Cont.

## FOOD PRODUCERS

## FOOD PRODUCERS - Cont.

## GAS DISTRIBUTION

## HEALTH CARE

## HOUSEHOLD GOODS

## HOUSEHOLD GOODS - Cont.

## INSURANCE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

## INV TRUSTS SPLIT CAPITAL

## LONDON SHARE SERVICE

### INV TRUSTS SPLIT CAPITAL - Cont.

### OTHER INVESTMENT TRUSTS

### INVESTMENT COMPANIES

### LEISURE & HOTELS

### LEISURE & HOTELS - Cont.

### LIFE ASSURANCE

### MEDIA

### OIL EXPLORATION & PRODUCTION

### OIL, INTEGRATED

### OTHER FINANCIAL

### PAPER, PACKAGING & PRINTING

### PHARMACEUTICALS

### PROPERTY

### PROPERTY - Cont.

### RETAILERS, FOOD

### RETAILERS, GENERAL

### SUPPORT SERVICES

### TELECOMMUNICATIONS

### TEXTILES & APPAREL

### TOBACCO

### TRANSPORT

### WATER

### AIM

### AIM - Cont.

### AMERICANS

### CANADIANS

### SOUTH AFRICANS



### GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Ibid, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' basis.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1380 a year for each security shown, subject to the Editor's discretion.

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The share prices printed on these pages are also available on the internet at http://www.FT.com.

# LONDON STOCK EXCHANGE

MARKET REPORT

## Footsie glides to intra-day and closing peaks

By Steve Thompson, UK Stock Market Editor

Increasing optimism that the US Federal Reserve would refrain from increasing interest rates following its open market committee meeting helped propel UK stocks sharply higher yesterday, driving the FT-SE 100 to all-time intra-day and closing highs.

Adding to the bullish atmosphere in London was the expectation that the Bundesbank would approve a reduction in Germany's repo rate after its regular council meeting tomorrow, in the wake of reassuring M3 money supply figures.

London was additionally helped along by mildly encouraging UK economic data, showing slightly better-than-expected M4 money supply figures for July.

Those numbers gave a measure of support to the gilts market, which remained steady throughout the session, before easing during the afternoon following details of the next gilts auction, scheduled for next Wednesday; £2.5bn-worth of 7.5 per cent 10-year stock.

At the close of a session which saw a relatively modest, but nevertheless welcome, increase in turnover, the FT-SE 100 index finished 19.5 up at a record closing high of 3,883.2. At its best, shortly before Wall Street opened for trading, Footsie achieved an all-time intra-day record of 3,884.8.

The strength of the leaders spilled over into the second liners, where the FT-SE Mid 250 index ran up 17.0 to 4,385.3. The Mid 250 index is still some way off its all-time intra-day and closing highs, 4,568.7 and 4,568.6 respectively, which were attained on April 26 this year.

There was more good news for London and other international markets from Wall Street which looked in relatively good shape at the opening and which was around 10 points ahead as the London trading session closed.

Dealers were by no means euphoric as share prices spiralled upwards to their new highs. A senior dealer at one of the top European-owned securities houses said prices had been pushed ahead by marketmakers caught short of stock. He worried that the market could be on the brink of another leap forward.

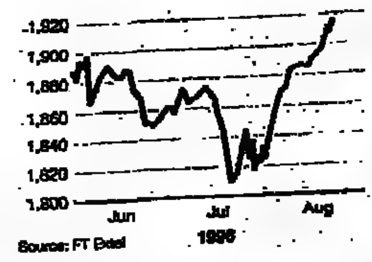
"Genuine customer business is on the thin side and we've been lifted by the short-covering and by the future which climbed over the 3,900 barrier at one point," he said. He warned, however, that the market was susceptible to bouts of profit-taking in the short term, after its recent strong run.

The retailing and oil sectors were well to the fore among the outperformers, with the former elevated by the excellent figures reported by Argos on Monday and the prospect of this morning's retail sales statistics.

Railtrack was one of the biggest risers and most heavily traded stocks in Footsie with rumours of a US stakebuilder helping to push the shares ahead.

At the 6pm reading, volume was 606.5m shares with a slight majority in non-FT-SE 100 stocks. Customer business on Monday was valued at £1.44bn.

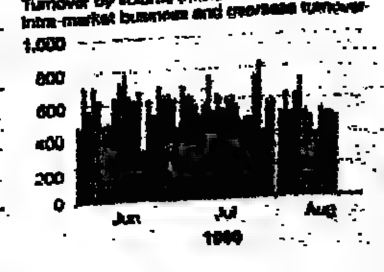
### FT-SE-A All-Share index



Source: FT Extel

### Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover




### Indices and ratios

| | | |
|---|---|---|
| FT-SE 100 | 3883.2 | +19.5 |
| FT-SE Mid 250 | 4385.3 | +17.0 |
| FT-SE-A 350 | 1941.6 | +9.3 |
| FT-SE-A All-Share | 1917.75 | +8.79 |
| FT-SE-A All-Share yield | 3.84 | 3.86 |
| FT Ordinary index | 2819.8 | +17.9 |
| FT-SE-A Non Fins p/e | 17.36 | 17.16 |
| FT-SE 100 Fut Sep | 3896.0 | +17.0 |
| 10 yr Gilt yield | 7.78 | 7.76 |
| Long gilt/equity yld ratio | 2.12 | 2.11 |

### Best performing sectors

1 Alcoholic Beverages ....+1.9
2 Oil Exploration & Prod ....+1.6
3 Pharmaceuticals ....+1.2
4 Retailers: General ....+1.2
5 Electronic & Elect Equip ....+1.1

### Worst performing sectors

1 Water ....-0.4
2 Electricity ....-0.3
3 Household Goods ....-0.1
4 Textiles & Apparel ....-0.1
5 Chemicals ....-0.1

## Housing boost at Abbey

By Peter John, Joel Kibazo and Lisa Wood

Abbey National, the building society-turned-bank, moved smartly forward as dealers began to factor in its exposure to the blossoming housing market.

The shares have been hampered by mortgage price war fears and were still nearly 8 per cent down from January's level at yesterday's close. However, news that UK mortgage lending rose last month to a six year peak helped the shares gain 11 to 597p.

A small increase in housing activity could add millions to headline profits, assuming there is no further squeeze in margins. And there are suggestions that the ingredients for a re-rating could be in place.

Mr Johnny de la Hey, of Credit Lyonnais Laing, said: "There is another pound in the share price just on a re-rating and, if profits are upgraded, the shares could go even further."

### Caution on Gas

British Gas failed to participate in the Footsie's latest lurch forward as regulatory worries lay heavy on the stock.

Ofgas, the official regulator, is expected to unveil today its proposals for price cuts at TransCo, the pipeline business which makes up most of Gas's business.

The ruling will, according to Mr Paul Spedding of Kleinwort Benson, be "the most important not only in terms of the profit impact. It will will also set the tone of the future regulatory style for Gas and other utilities."

Analysts expect Ofgas will demand that Gas cuts its TransCo prices by 20 to 25 per cent, which could hit net revenues by up to £850m.

However, the real fear is that nothing will be resolved until at least the end of the year. Gas officials have hinted that they would not accept any cut that comes within the offered range. In that case, the wrangle will be turned over to the Monopolies and Mergers Commission, which could take up to nine months to decide.

Consequently, the recent rally from May's seven-year low could be the last for some time. Yesterday, with the shares at 198p, they had underperformed the broad market by over 35 per cent over the past year.

### Railtrack rumour

Whispers of a US stake builder in Railtrack saw the shares put on 5½ to 225½p. Specialists were unable to confirm whether an interested party was indeed building a stake in the UK group that was privatised in May. However, closing volume was a hefty 10m, making the stock one of the most actively traded of the day.

In the rest of the transports, British Airways came under pressure on fears that next week's "open skies" talks between the UK and USA could end in failure to reach an agreement between the two countries. Failure to reach an agreement would scupper BA's planned alliance with American Airlines.

Several analysts pointed out that the concerns over the talks were already factored into the current share price but this did little to allay the fears. The shares surrendered 8 to 530p, after trade of 3.6m.

### Shell record

Oil major Shell Transport sped to a new closing peak yesterday as the impact of a strong crude price helped the shares.

Shell lifted 12 to 961p with additional help from recent broker recommendations and dealers saying that HSBC James Capel was recommending a switch out of BP – a very strong performer over the past few weeks. BP eased 2 to 629p.

Meanwhile, Enterprise bumped up 14½ to 510½p as a shortage of stock was exacerbated by a switch recommendation. One broker said at its morning meeting that the share offered more value than Monument Oil & Gas, which announced a capital restructuring on Monday. Monument gained 2 to 58½p.

Shares in Charter bucked the market trend and fell 9 to 857p as a negative note from NatWest Securities did the rounds in the market yesterday.

Urging investors to reduce holdings, NatWest said: "Unfavourable trading conditions in Europe, gross margins depressed by the appreciation of the Swedish krona against European currencies, and rising competitive pressures in the in the welding consumables market have all increased our concerns that margins are not sustainable.

"An acquisition is needed more than ever to offset the cyclicality of the existing businesses."

BTR was a feature on speculation that it is in talks to sell Tilcon, its US crushed stone and concrete business. The shares gained 6 to 257p, following an active session that brought volume of 6m.

Factors including more evidence of a housing market recovery helped to spread some cheer in the retail sector ahead of today's retail sales figures for July.

Kingfisher rose 14 to 668p while Dixons gained 11 to 535p.

Great Universal Stores was the best performer in the FT-SE 100 index, climbing 23 to 663p. Analysts said there had been a squeeze in the stock about which expectations have been heightened since Lord David Wolfson took the helm.

Next rose 4 to 582p, after reports that Robert Fleming Securities had put the stock on its "buy" list.

Satellite broadcaster BSkyB eased 2 to 535p in spite of sparkling profits. There was some disappointment over the final dividend, which at 5.5p was a penny below the most aggressive forecasts.

United Friendly and Refuge added 26 at 790p and 7 at 403p despite apparent opposition to the merger by one big shareholder.

Thames Water dipped 8 to 540p with a large seller believed to be overhanging the shares.

Shares in Orange closed 6 ahead at 193p, after the group reported figures at the top end of analysts' forecasts. There was also relief that they contained "no nasties" as one analyst put it.

Mr Mark Lambert at NatWest Securities remains a fan of the stock and said: "Orange has good growth prospects and remains undervalued."

Grand Metropolitan climbed 15 to 477p ahead of today's presentation on its food activities. Analysts said that last year the stock rallied after a similar event.

Marketmakers were levelling their books as rumours re-circulated that Bass, which rose 13 to 836p, will announce its acquisition of Allied Domecq's stake in Carlsberg-Tetley this week.

### FINANCIAL TIMES EQUITY INDICES

| | Aug 20 | Aug 19 | Aug 16 | Aug 15 | Aug 14 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2819.8 | 2801.9 | 2824.5 | 2801.9 | 2800.0 | 2657.4 | 2895.2 | 2669.8 |
| Ord. div. yield | 4.04 | 4.13 | 4.03 | 4.08 | 4.08 | 4.08 | 4.22 | 3.76 |
| P/E ratio net | 17.04 | 16.72 | 17.12 | 16.94 | 16.92 | 15.89 | 17.25 | 15.80 |
| P/E ratio nil | 16.88 | 16.56 | 16.94 | 16.76 | 16.74 | 15.70 | 17.08 | 15.71 |

Ordinary Share Index since compilation: high 2895.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2804.9 | 2809.0 | 2816.2 | 2814.2 | 2815.2 | 2818.2 | 2817.4 | 2816.0 | 2817.8 | 2820.0 | 2804.7 |

| | Aug 20 | Aug 19 | Aug 16 | Aug 15 | Aug 14 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 31,741 | 33,442 | 30,308 | 28,417 | 27,738 | 26,740 |
| Equity turnover (£m)† | - | 1442.5 | 1595.0 | 1508.9 | 1494.2 | 1274.3 |
| Equity bargains† | - | 39,534 | 36,583 | 33,618 | 34,506 | 41,415 |
| Shares traded (ml)† | - | 451.3 | 486.1 | 621.9 | 508.7 | 527.5 |

†Excluding intra-market business and overseas turnover.

| | Aug 20 | Aug 19 | Aug 16 | Aug 15 | Aug 14 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT-SE AIM | 1070.50 | 1072.10 | 1069.90 | 1070.60 | 1070.40 | - | 1140.40 | 965.70 |

*For 1996.

### London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 708 | Total Highs | 126 | Total contracts | 41,369 |
| Total Falls | 489 | Total Lows | 32 | Calls | 21,101 |
| Same | 1,514 | | | Puts | 20,268 |

Aug 20 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 3882.0 | 3896.0 | +17.0 | 3905.0 | 3881.0 | 8314 | 63610 |
| Dec | 3914.5 | 3916.5 | +16.5 | 3920.0 | 3914.5 | 34 | 4731 |
| Mar | | 3928.0 | +17.0 | | | 0 | 330 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | | 4385.0 | +17.0 | | | 0 | 3769 |

■ FT-SE 100 INDEX OPTION (LIFFE) (*3882) £10 per full index point

| | 3700 C | 3700 P | 3750 C | 3750 P | 3800 C | 3800 P | 3850 C | 3850 P | 3900 C | 3900 P | 3950 C | 3950 P | 4000 C | 4000 P | 4050 C | 4050 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sep | 204 | 8 | 158½ | 9½ | 113 | 16½ | 75½ | 29½ | 44 | 50½ | 22 | 80 | 8 | 119½ | 2½ | 169 |
| Oct | 217 | 17½ | 172½ | 24 | 134 | 34½ | 98½ | 49½ | 67 | 69 | 43½ | 96 | 25½ | 130 | 12½ | 171 |
| Nov | 229½ | 26½ | 189 | 36½ | 151 | 47½ | 119 | 64½ | 88½ | 84 | 65 | 110½ | 42½ | 141½ | 26½ | 177½ |
| Dec | 251½ | 40 | 214 | 61 | 179½ | 65½ | 147 | 83½ | 114½ | 103 | 90½ | 129 | 68½ | 156½ | 49½ | 191 |
| Jun† | 330 | 113½ | | | 269 | 149½ | | | 216½ | 192½ | | | 189½ | 241 | | |

Calls 6,168 Puts 7,084

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 3725 C | 3725 P | 3775 C | 3775 P | 3825 C | 3825 P | 3875 C | 3875 P | 3925 C | 3925 P | 3975 C | 3975 P | 4025 C | 4025 P | 4075 C | 4075 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sep | 177½ | 8 | 133½ | 13 | 92½ | 22 | 57½ | 37 | 31½ | 60½ | 14½ | 93½ | 6 | 134 | 2 | 130 |
| Oct | 192 | 17½ | 158½ | 26 | 113 | 37½ | 80½ | 54½ | 53½ | 77 | 32 | 105½ | 17½ | 140 | 8 | 180½ |
| Nov | 211 | 31½ | 172½ | 42½ | 137 | 56 | 105 | 73½ | 77½ | 95½ | 54 | 121 | 36 | 152 | 22 | 187½ |
| Dec | 226 | 47 | | | 162 | 72 | | | 101 | 109 | | | 97½ | 164 | | |
| Mar† | 276 | 80 | | | 211½ | 112 | | | 158½ | 153½ | | | 109½ | 203 | | |

Calls 2,245 Puts 7,599 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1996 High | 1996 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §70 | F.P. | 19.1 | 89 | 67 | †AND Intl | 89 | +2 | - | - | - | 53.3 |
| §60 | F.P. | 7.95 | 58 | 33 | †Alizyme | 46 | | - | - | - | - |
| - | F.P. | 918.9 | £20⅞ | £19⅝ | Alumax | £20⅝ | +⅛ | - | - | - | - |
| §100 | F.P. | - | 100 | 100 | Amer Opps Ln 03/08 | 100 | | - | - | - | - |
| - | F.P. | 12.7 | 69 | 68 | †Barbican Hlthcre | 68 | | - | - | - | - |
| §110 | F.P. | 10.5 | 165 | 120 | †Chemical Design | 153 | +2 | - | - | - | - |
| - | F.P. | 6.17 | 4 | 4 | †Dentmaster Hldgs | 4 | | - | - | - | - |
| §8 | F.P. | 3.07 | 4 | 4 | †Drings of Bath | 4 | | - | - | - | - |
| § | F.P. | 67.9 | 679½ | 676½ | Egypt Trust | 678¾ | -¼ | - | - | - | - |
| §145 | F.P. | 42.3 | 218 | 146 | †Elec Retail Sys | 201 | +8 | - | - | - | - |
| § | F.P. | 2.52 | 53 | 41 | †Fayrewood | 48 | | - | - | - | - |
| § | F.P. | 19.0 | 63 | 61 | †Gall Thomson Env | 61 | | W- | - | - | 8.7 |
| 165 | F.P. | 22.8 | 202 | 169 | †HIT Entm | 202 | | - | - | - | 66.8 |
| §66 | F.P. | 18.2 | 66 | 66 | Hambros Sm Asn C | 66 | | - | - | - | - |
| §100 | F.P. | 24.2 | 98 | 94 | Hoare Gvt 1000 C | 97 | | - | - | - | - |
| §12 | F.P. | 0.60 | 16 | 12 | †Life Numbers | 12 | | - | - | - | - |
| § | F.P. | 0.16 | 6 | 2 | †Life Numbers Wts | 5 | | - | - | - | - |
| - | F.P. | 4.73 | 18½ | 13 | †Lon & Edinburgh | 15½ | | b0.25 | 3.9 | 2.0 | 11.8 |
| § | F.P. | 0.28 | 1½ | 1 | †Lotterylnkg Wts | 1½ | | - | - | - | - |
| - | F.P. | 0.38 | 2 | 1¼ | †Pordum Foods Wts | 1¼ | | - | - | - | - |
| §140 | F.P. | 18.0 | 185 | 161 | †SCI Ent | 163 | -2 | - | - | - | 11.5 |
| §100 | F.P. | 79.8 | 99 | 90½ | Schroder Em Ctrs | 91½ | | - | - | - | - |
| § | F.P. | 8.88 | 37 | 31 | Schroder Em Wts | 35 | | - | - | - | - |
| - | F.P. | 40.8 | 375 | 343 | Schroder Em Ct C | 371 | | - | - | - | - |
| §65 | F.P. | 13.3 | 70 | 66 | †Selector | 68 | | - | - | - | - |
| 145 | F.P. | 469.5 | 163 | 155 | Somerfield | 158½ | -½ | W8.0 | 2.5 | 7.2 | 7.0 |
| - | F.P. | 5.02 | 130 | 120 | †West 176 Entrs | 130 | | - | - | - | - |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## FT GOLD MINES INDEX

| | Aug 19 | % chg on day | Aug 16 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (31) | 2016.43 | +1.8 | 1981.71 | 2547.45 | 1.56 | - | 2820.73 | 1722.85 |
| ■ Regional Indices | | | | | | | | |
| Africa (13) | 2554.06 | -0.4 | 2563.41 | 2574.44 | 3.10 | 38.23 | 3563.88 | 2272.74 |
| Australasia (7) | 2409.00 | +1.2 | 2380.44 | 2423.73 | 3.41 | 22.56 | 2827.34 | 2123.50 |
| North America (11) | 1812.37 | +2.8 | 1762.99 | 1765.00 | 0.73 | 65.75 | [illegible] | [illegible] |

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## FT - SE Actuaries Share Indices — The UK Series

| | Aug 20 | Day's chge% | Aug 19 | Aug 16 | Aug 15 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3883.2 | +0.5 | 3863.7 | 3872.9 | 3837.4 | 3530.2 | 4.03 | 2.06 | 15.04 | 132.18 | 1807.68 |
| FT-SE Mid 250 | 4385.3 | +0.4 | 4368.3 | 4366.4 | 4356.0 | 3909.1 | 3.44 | 1.88 | 21.90 | 126.48 | 1775.07 |
| FT-SE Mid 250 ex Inv Trusts | 4419.0 | +0.4 | 4401.6 | 4400.6 | 4390.8 | 3922.5 | 3.54 | 1.70 | 20.83 | 133.19 | 1792.22 |
| FT-SE-A 350 | 1941.6 | +0.5 | 1932.3 | 1935.7 | 1920.8 | 1757.7 | 3.90 | 1.99 | 16.12 | 63.95 | 1641.55 |
| FT-SE-A 350 Higher Yield | 1858.3 | +0.5 | 1848.1 | 1855.0 | 1842.2 | 1747.9 | 5.21 | 1.86 | 12.72 | 82.36 | 1321.84 |
| FT-SE-A 350 Lower Yield | 2032.2 | +0.4 | 2023.8 | 2023.8 | 2006.7 | 1771.4 | 2.72 | 2.16 | 21.27 | 46.02 | 1416.02 |
| FT-SE SmallCap | 2144.72 | +0.2 | 2139.67 | 2136.18 | 2130.69 | 1956.66 | 3.10 | 1.68 | 24.08 | 43.62 | 1769.57 |
| FT-SE SmallCap ex Inv Trusts | 2136.66 | +0.2 | 2132.11 | 2128.89 | 2123.57 | 1932.21 | 3.32 | 1.76 | 21.43 | 45.72 | 1774.27 |
| FT-SE-A ALL-SHARE | 1917.75 | +0.5 | 1908.96 | 1911.65 | 1897.81 | 1736.87 | 3.84 | 1.97 | 16.53 | 61.32 | 1645.79 |

### ■ FT-SE Actuaries All-Share

| | Aug 20 | Day's chge% | Aug 19 | Aug 16 | Aug 15 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(24) | 3685.08 | +0.5 | 3666.87 | 3647.38 | 3605.42 | 2950.29 | 3.69 | 1.63 | 20.81 | 93.81 | 1594.26 |
| 12 Extractive Industries(6) | 4294.94 | +0.8 | 4260.73 | 4253.25 | 4216.03 | 4065.17 | 3.74 | 2.52 | 13.28 | 109.19 | 1263.87 |
| 15 Oil, Integrated(3) | 3780.11 | +0.3 | 3767.82 | 3745.34 | 3696.52 | 2935.98 | 3.86 | 1.46 | 21.87 | 100.98 | 1679.17 |
| 16 Oil Exploration & Prod(15) | 2616.57 | +1.6 | 2574.58 | 2561.47 | 2557.93 | 2060.59 | 2.00 | 1.52 | 41.09 | 34.94 | 1575.92 |
| 20 GEN INDUSTRIALS(275) | 2032.12 | +0.4 | 2024.14 | 2024.66 | 2018.36 | 2011.63 | 4.26 | 1.82 | 16.15 | 57.18 | 1121.66 |
| 21 Building & Construction(34) | 1160.94 | +0.2 | 1158.70 | 1157.53 | 1156.14 | 970.09 | 3.67 | 1.57 | 21.02 | 23.05 | 975.68 |
| 22 Building Matls & Merchs(29) | 1911.03 | +0.5 | 1901.09 | 1896.18 | 1883.38 | 1832.37 | 4.01 | 1.71 | 18.24 | 47.61 | 972.38 |
| 23 Chemicals(25) | 2392.84 | -0.1 | 2394.58 | 2393.45 | 2375.48 | 2494.65 | 4.22 | 1.63 | 18.12 | 77.34 | 1149.37 |
| 24 Diversified Industrials(19) | 1537.89 | +0.6 | 1528.86 | 1537.82 | 1551.11 | 1853.90 | 6.77 | 1.64 | 11.29 | 62.63 | 871.75 |
| 25 Electronic & Elect Equip(36) | 2376.23 | +1.1 | 2351.43 | 2332.24 | 2312.40 | 2082.68 | 3.28 | 1.54 | 24.78 | 56.98 | 1249.36 |
| 26 Engineering(71) | 2464.68 | ..... | 2463.54 | 2468.06 | 2453.80 | 2134.92 | 3.26 | 2.43 | 15.74 | 54.65 | 1508.95 |
| 27 Engineering, Vehicles(14) | 3096.96 | +0.5 | 3080.68 | 3071.93 | 3057.40 | 2564.59 | 3.44 | 2.01 | 18.11 | 88.71 | 1627.24 |
| 28 Paper, Pckg & Printing(28) | 2707.85 | +0.6 | 2692.42 | 2709.36 | 2698.91 | 2986.46 | 3.61 | 1.87 | 16.70 | 64.49 | 1137.69 |
| 29 Textiles & Apparel(19) | 1264.74 | -0.1 | 1266.27 | 1261.84 | 1262.78 | 1698.51 | 5.60 | 1.56 | 14.33 | 42.36 | 780.84 |
| 30 CONSUMER GOODS(81) | 3634.32 | +1.1 | 3596.45 | 3609.81 | 3587.60 | 3378.13 | 3.88 | 1.95 | 16.52 | 115.56 | 1362.96 |
| 32 Alcoholic Beverages(6) | 2869.53 | +1.9 | 2816.06 | 2827.06 | 2803.47 | 2870.12 | 4.40 | 1.62 | 17.55 | 91.66 | 1049.19 |
| 33 Food Producers(24) | 2539.04 | +0.3 | 2530.22 | 2533.18 | 2524.64 | 2567.78 | 4.10 | 1.91 | 15.96 | 70.29 | 1158.06 |
| 34 Household Goods(15) | 2601.03 | -0.1 | 2604.67 | 2603.59 | 2590.20 | 2700.86 | 3.82 | 2.15 | 15.21 | 59.03 | 999.15 |
| 36 Health Care(20) | 2004.86 | +0.1 | 2003.18 | 2002.56 | 2013.59 | 1939.85 | 2.73 | 2.17 | 21.07 | 35.96 | 1225.32 |
| 37 Pharmaceuticals(13) | 5406.61 | +1.2 | 5340.12 | 5343.04 | 5294.16 | 4388.16 | 3.13 | 2.06 | 19.40 | 151.62 | 1861.42 |
| 38 Tobacco(1) | 3862.72 | +0.9 | 3828.84 | 3934.72 | 3938.96 | 4468.39 | 6.78 | 2.06 | 8.96 | 262.07 | 994.72 |
| 40 SERVICES(253) | 2576.85 | +0.4 | 2565.66 | 2558.66 | 2541.19 | 2203.50 | 2.85 | 2.02 | 21.74 | 58.05 | 1352.30 |
| 41 Distributors(31) | 2796.95 | +0.6 | 2779.64 | 2776.82 | 2775.51 | 2746.03 | 3.12 | 1.74 | 22.94 | 57.82 | 1039.36 |
| 42 Leisure & Hotels(34) | 3206.13 | ..... | 3204.81 | 3207.18 | 3201.37 | 2523.95 | 2.74 | 1.98 | 23.73 | 154.60 | 1733.56 |
| 43 Media(45) | 4326.31 | +0.2 | 4319.52 | 4314.79 | 4257.58 | 3336.66 | 2.08 | 2.03 | 29.63 | 71.63 | 1576.23 |
| 44 Retailers, Food(14) | 2068.92 | +0.2 | 2065.28 | 2057.65 | 2037.97 | 2225.48 | 3.71 | 2.37 | 14.26 | 48.86 | 1327.84 |
| 45 Retailers, General(44) | 2155.94 | +1.2 | 2130.39 | 2119.09 | 2108.44 | 1807.85 | 2.97 | 2.10 | 20.11 | 47.79 | 1244.19 |
| 47 Breweries, Pubs & Rest.(24) | 3159.61 | +0.8 | 3135.50 | 3136.94 | 3132.95 | 2673.51 | 3.25 | 1.99 | 19.38 | 67.05 | 1531.46 |
| 48 Support Services(46) | 2467.51 | -0.2 | 2473.55 | 2467.28 | 2456.27 | 1768.84 | 1.90 | 2.27 | 28.99 | 35.38 | 1576.88 |
| 49 Transport(22) | 2422.30 | +0.1 | 2420.06 | 2413.64 | 2392.11 | 2304.34 | 3.93 | 1.57 | 20.27 | 57.41 | 1018.96 |
| 60 UTILITIES(32) | 2323.36 | ..... | 2322.70 | 2340.79 | 2329.71 | 2559.81 | 5.53 | 1.69 | 12.00 | 157.10 | 1033.90 |
| 62 Electricity(11) | 2412.05 | -0.3 | 2419.61 | 2443.09 | 2442.00 | 2650.58 | 6.73 | 2.40 | 7.74 | 423.39 | 1302.96 |
| 64 Gas Distribution(2) | 1327.00 | +0.3 | 1322.94 | 1345.34 | 1329.22 | 1913.59 | 9.03 | 1.36 | 10.20 | 86.67 | 696.02 |
| 66 Telecommunications(8) | 1975.49 | +0.3 | 1970.40 | 1984.39 | 1973.74 | 2170.05 | 4.08 | 1.53 | 20.00 | 50.32 | 917.58 |
| 68 Water(11) | 2217.59 | -0.4 | 2226.37 | 2226.10 | 2217.74 | 2093.81 | 6.21 | 2.32 | 8.70 | 94.85 | 1254.20 |
| 69 NON-FINANCIALS(695) | 2021.06 | +0.5 | 2010.79 | 2011.65 | 1999.02 | 1867.69 | 3.83 | 1.88 | 17.38 | 64.42 | 1556.28 |
| 70 FINANCIALS(104) | 3112.28 | +0.2 | 3104.67 | 3126.81 | 3086.56 | 2546.61 | 4.23 | 2.41 | 12.26 | 110.97 | 1364.96 |
| 71 Banks, Retail(8) | 4459.15 | +0.3 | 4446.00 | 4497.76 | 4418.46 | 3468.40 | 4.07 | 2.71 | 11.35 | 174.00 | 1490.06 |
| 72 Banks, Merchant(6) | 3686.24 | -0.1 | 3688.75 | 3669.85 | 3634.99 | 3825.48 | 2.68 | 2.50 | 18.62 | 63.39 | 1176.42 |
| 73 Insurance(22) | 1476.16 | ..... | 1476.88 | 1481.28 | 1470.81 | 1357.26 | 5.67 | 2.34 | 8.43 | 59.13 | 1127.63 |
| 74 Life Assurance(6) | 3424.94 | +0.1 | 3422.52 | 3425.30 | 3411.58 | 2770.38 | 4.41 | 2.21 | 12.80 | 103.40 | 1436.88 |
| 77 Other Financial(21) | 2606.46 | +0.1 | 2604.63 | 2609.24 | 2598.73 | 2213.59 | 4.04 | 1.79 | 17.22 | 77.11 | 1506.37 |
| 79 Property(41) | 1632.83 | +0.6 | 1623.48 | 1618.46 | 1610.40 | 1466.69 | 3.91 | 1.24 | 25.75 | 40.48 | 1017.06 |
| 80 INVESTMENT TRUSTS(126) | 3174.04 | +0.4 | 3160.72 | 3153.46 | 3143.08 | 2962.52 | 2.24 | 1.11 | 50.35 | 48.74 | 1115.51 |
| 89 FT-SE-A ALL-SHARE(925) | 1917.75 | +0.5 | 1908.96 | 1911.65 | 1897.81 | 1736.87 | 3.84 | 1.97 | 16.53 | 61.32 | 1645.79 |
| FT-SE-A Fledgling | 1235.57 | +0.1 | 1234.16 | 1231.37 | 1228.47 | 1057.93 | 2.78 | 2.35 | 19.11 | 22.03 | 1300.04 |
| FT-SE-A Fledgling ex Inv Trusts | 1248.63 | +0.1 | 1247.26 | 1244.46 | 1241.75 | 1051.40 | 2.98 | 2.52 | 16.61 | 23.92 | 1314.58 |

### ■ Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3867.2 | 3871.0 | 3882.2 | 3882.9 | 3882.1 | 3882.9 | 3883.6 | 3881.1 | 3882.4 | 3884.8 | 3866.7 |
| FT-SE Mid 250 | 4369.1 | 4371.1 | 4376.3 | 4379.7 | 4380.9 | 4383.3 | 4383.8 | 4384.5 | 4384.9 | 4385.4 | 4369.1 |
| FT-SE-A 350 | 1933.7 | 1935.4 | 1940.3 | 1940.9 | 1940.7 | 1941.3 | 1941.6 | 1940.7 | 1941.2 | 1942.1 | 1933.6 |

Time of FT-SE 100 Day's high: 2:06 PM Day's low: 8:33 AM. FT-SE 100 1996 High: 3883.2 (20/08/96) Low: 2984.2 (23/01/96).

### ■ FT-SE Actuaries 350 Industry baskets

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Cnstrcn | 1155.4 | 1157.0 | 1157.6 | 1157.6 | 1157.6 | 1157.6 | 1157.6 | 1158.6 | 1157.3 | 1157.3 | 1154.9 | +2.4 |
| Pharmaceuticls | 5280.2 | 5279.9 | 5292.1 | 5307.1 | 5305.2 | 5305.9 | 5311.3 | 5314.6 | 5334.7 | 5334.4 | 5268.0 | +66.4 |
| Water | 2209.3 | 2209.5 | 2208.2 | 2207.6 | 2207.3 | 2207.3 | 2206.2 | 2206.2 | 2209.9 | 2204.5 | 2213.5 | -9.0 |
| Banks, Retail | 4499.5 | 4506.4 | 4533.4 | 4529.8 | 4528.3 | 4528.0 | 4526.7 | 4527.0 | 4517.1 | 4516.1 | 4502.7 | +13.4 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. "The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1995. All Rights reserved. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Innovations Group (Fledgling).

## TRADING VOLUME

### ■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| 3i† | 1,300 | 467½ | +6½ |
| ASDA Group† | 4,100 | 119½ | +1 |
| Abbey National† | 2,600 | 597 | +11 |
| Albert Fisher | 872 | 45 | +½ |
| Allied Domecq† | 1,100 | 490 | +3 |
| Anglian Water | 164 | 562 | +1 |
| Argos† | 1,200 | 736 | -1 |
| [illegible] | | | |

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 20 / Sch)

BELGIUM/LUXEMBOURG (Aug 20 / Frs.)

CZECH REP (Aug 20 / Koruna)

DENMARK (Aug 20 / Kr)

FINLAND (Aug 20 / Mka)

FRANCE (Aug 20 / Frs.)

GERMANY (Aug 20 / Dm.)

GREECE (Aug 20 / Drachma)

ITALY (Aug 20 / Lira)

NORWAY (Aug 20 / Kroner)

POLAND (Aug 20 / Zloty)

PORTUGAL (Aug 20 / Escudo)

SPAIN (Aug 20 / Pta.)

NETHERLANDS (Aug 20 / Fls.)

SWEDEN (Aug 20 / Kronor)

| | | | | | | |
|---|---|---|---|---|---|---|
| AGA A | 111 | +1 | 120 | 83 | 2.4 | — |
| AGA B | 108 | | 118 | 82.50 | 2.5 | — |
| Abb A | 724 | +8 | 735 | 606 | 2.2 | — |
| Abb B | 720 | +2 | 734 | 605 | 2.2 | — |
| Asedman | 190.50 | +3 | 170 | 131 | 3.1 | — |
| AstraA | 275 | +7 | 225 | 202.50 | 1.1 | — |
| AstraB | 269.50 | +8.50 | 340 | 224 | 1.1 | — |
| AtlasA | 119.50 | +2 | 131.50 | 87.50 | 2.5 | — |
| AtlasB | 119.50 | +1.50 | 131.50 | 86 | 2.5 | — |
| Autliv | 224.50 | +4 | 252 | 148.70 | 2.0 | — |
| Cels B | 86 | — | 97 | 38.50 | 7.3 | — |
| Cust A | 124 | +1 | 142 | 84 | 3.4 | — |
| Elux B | 367 | +9.50 | 371 | 250 | 3.4 | — |
| EricAF | 163 | +2.50 | 167.20 | 125 | 1.1 | — |

SWITZERLAND (Aug 20 / Frs.)

TURKEY (Aug 20 / Tk Lira)

PACIFIC

JAPAN (Aug 20 / Yen)

AUSTRALIA (Aug 20 / Aus$)

HONG KONG (Aug 20 / H.K.$)

INDONESIA (Aug 20 / Rupiah)

MALAYSIA (Aug 20 / MYR)

NEW ZEALAND (Aug 20 / NZ $)

SINGAPORE (Aug 20 / S$)

SOUTH KOREA (Aug 20 / Won)

TAIWAN (Aug 20 / TW $)

THAILAND (Aug 20 / Baht)

NORTH AMERICA

CANADA

MONTREAL (Aug 20 / Can $) 4 pm close

TORONTO (Aug 20 / Can $) 4 pm close

| Sales | | | +/- | High | Low |
|---|---|---|---|---|---|
| 315219 | Abitib | 18¾ | +¼ | 25¼ | 16½ |
| 47955 | AgnEag | 21¼ | +⅛ | 28 | 14⅝ |
| 54675 | AirCan | 4⅛ | −⅛ | 5⅝ | 4⅛ |
| 22928 | AlbtaE | 25½ | | 27¼ | 18⅝ |
| 1208410 | AlcanAl x | 43⅝ | +1 | 48⅛ | 38⅝ |
| 29200 | AlcoG | 19⅝ | | 20⅝ | 16½ |
| 207057 | Avenor | 23¼ | +½ | 32¼ | 18⅞ |
| 11085 | BCSugA | 10¼ | | 11⅞ | 7⅞ |
| 68212 | BC Tel | 27⅛ | | 27¾ | 23 |
| 417037 | BCE | 55⅝ | | 56⅝ | 47 |
| 68226 | BCE Mb | 41⅝ | −⅛ | 48½ | 39 |
| 3610 | BGR A | 18 | | 20⅝ | 13⅛ |
| 285538 | BkMont x | 33½ | | 34½ | 28 |
| 665336 | BkNvS | 33½ | −⅛ | 34⅛ | 28¾ |
| 1764710 | BrckGd | 37⅞ | +⅜ | 45 | 30⅝ |
| 136420 | BeauEx | 1.98 | +.02 | 2.23 | 1.26 |
| 5711 | BombA | 18⅛ | | 21⅞ | 14⅝ |
| 1609450 | BmbrdB | 19⅛ | +⅛ | 21¼ | 14⅞ |

AFRICA

SOUTH AFRICA (Aug 20 / Rand)

| | | | | | | |
|---|---|---|---|---|---|---|
| W Area | 58.75 | +.50 | 72 | 51 | 1.7 | — |
| W Deep | 182 | +2 | 233 | 100.50 | 4.0 | — |
| Winnth | 33.50 | +1 | 44.50 | 25 | 8.0 | — |

*Prices supplied by Telekurs*

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Prices in US $.

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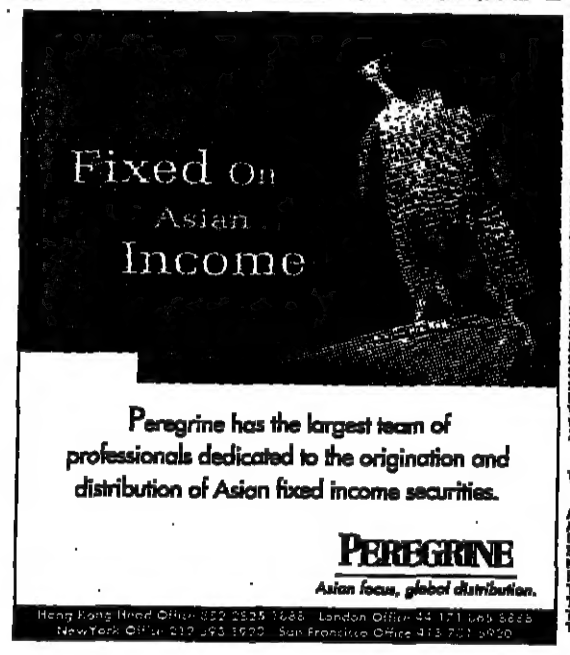


## INDICES

| | Aug 20 | Aug 19 | Aug 16 | 1996 High | | 1996 Low | |
|---|---|---|---|---|---|---|---|
| **Argentina** | | | | | | | |
| General(29/12/77) | (u) | (c) | 16166.14 | 19991.66 | 20/5 | 15601.33 | 29/7 |
| **Australia** | | | | | | | |
| All Ordinaries(1/1/80) | 2264.7 | 2261.5 | 2239.3 | 2326.00 | 26/4 | 2066.10 | 17/7 |
| All Mining(1/1/80) | 1013.9 | 1008.7 | 1004.1 | 1118.40 | 8/6 | 934.90 | 16/7 |
| **Austria** | | | | | | | |
| Credit Aktien(30/12/84) | 354.17 | 354.65 | 356.79 | 394.99 | 31/5 | 349.65 | 22/7 |
| Traded Index(2/1/91) | 1029.01 | 1033.46 | 1038.88 | 1142.61 | 28/5 | 975.27 | 2/1 |
| **Belgium** | | | | | | | |
| BEL20(1/1/91) | 1760.15 | 1753.27 | 1751.32 | 1773.26 | 28/6 | 1574.80 | 2/1 |
| **Brazil** | | | | | | | |
| Bovespa(29/12/83) | (u) | 62921.0 | 63529.0 | 66622.60 | 12/7 | 40601.09 | 2/1 |
| **Canada** | | | | | | | |
| Metals Minls♦(1975) | (u) | 5189.52 | 5165.3 | 5624.60 | 8/5 | 4667.47 | 18/1 |
| Composite♦(1975) | (u) | 5117.60 | 5089.18 | 5246.40 | 31/5 | 4739.70 | 15/1 |
| Portfolio§§(4/1/83) | (u) | 2512.97 | 2502.62 | 2585.55 | 27/5 | 2327.39 | 12/1 |
| **Chile** | | | | | | | |
| IPSA Gen♥(31/12/80) | (u) | 5386.70 | 5387.58 | 5804.33 | 8/1 | 5215.26 | 8/4 |
| **Denmark** | | | | | | | |
| CopenhagenSE(3/1/83) | 423.26 | 421.91 | 420.59 | 423.26 | 20/8 | 358.40 | 2/1 |
| **Finland** | | | | | | | |
| HEX General(28/12/90) | 2101.22 | 2085.85 | 2087.11 | 2101.22 | 20/8 | 1851.67 | 10/1 |
| **France** | | | | | | | |
| SBF 250(31/12/90) | 1378.08 | 1362.57 | (c) | 1457.66 | 6/6 | 1250.16 | 2/1 |
| CAC 40(31/12/87) | 2019.26 | 1996.21 | (c) | 2146.79 | 30/4 | 1867.65 | 11/1 |
| **Germany** | | | | | | | |
| FAZ Aktien(31/12/58) | 899.57 | 900.71 | 897.79 | 911.74 | 5/7 | 818.66 | 2/1 |
| Commerzbank(1/12/53) | 2820.4 | 2821.7 | 2811.1 | 2827.80 | 5/7 | 2370.10 | 2/1 |
| DAX‡(30/12/87) | 2560.26 | 2562.76 | 2548.36 | 2583.49 | 5/7 | 2284.86 | 2/1 |
| **Greece** | | | | | | | |
| Athens SE(31/12/80) | 907.92 | 887.55 | 883.30 | 1017.95 | 4/3 | 872.99 | 7/8 |
| **Hong Kong** | | | | | | | |
| Hang Seng(31/7/64) | 11312.51 | 11213.48 | 11175.96 | 11594.99 | 16/2 | 10204.87 | 2/1 |
| **India** | | | | | | | |
| BSE Sens.(1979) | 3316.06 | 3261.49 | 3382.75 | 4069.25 | 18/6 | 2826.96 | 25/1 |
| **Indonesia** | | | | | | | |
| Jakarta Comp.(10/8/82) | 539.60 | 537.07 | 536.73 | 638.21 | 24/4 | 512.48 | 2/1 |
| **Ireland** | | | | | | | |
| ISEQ Overall(4/1/88) | 2528.83 | 2543.83 | 2544.88 | 2595.19 | 18/6 | 2234.81 | 2/1 |
| **Italy** | | | | | | | |
| Banca Comm Ital(1972) | 602.80 | 601.20 | 604.78 | 674.10 | 20/5 | 572.21 | 27/3 |
| MIB General(2/1/86) | 1022.0 | 1019.0 | 1026.0 | 1142.00 | 20/5 | 970.00 | 27/3 |
| **Japan** | | | | | | | |
| Nikkei 225(16/5/49) | 21127.31 | 21105.41 | 20934.00 | 22666.80 | 26/6 | 19734.70 | 13/3 |
| Nikkei 300(1/10/82) | 296.82 | 295.77 | 294.50 | 318.70 | 26/6 | 284.49 | 11/3 |
| Topix(4/1/68) | 1594.86 | 1591.77 | 1584.84 | 1722.13 | 28/6 | 1524.12 | 13/3 |
| 2nd Section(4/1/68) | 2108.74 | 2116.97 | 2109.33 | 2251.48 | 2/7 | 1962.78 | 14/3 |
| **Malaysia** | | | | | | | |
| KLSE Comp.(4/4/86) | 1105.44 | 1103.39 | 1102.09 | 1169.64 | 30/4 | 983.19 | 2/1 |
| **Mexico** | | | | | | | |
| IPC(Nov 1978) | (u) | 3324.67 | 3361.39 | 3361.39 | 16/8 | 2736.36 | 8/3 |
| **Netherland** | | | | | | | |
| CBS TtlRtnGen(End 83) | 644.2 | 638.8 | 634.5 | 652.80 | 12/6 | 538.59 | 2/1 |
| CBS All Shr(End 83) | 381.5 | 378.3 | 375.7 | 387.10 | 12/6 | 326.70 | 2/1 |
| **New Zealand** | | | | | | | |
| Cap. 40(1/7/86) | 2187.79 | 2187.25 | 2150.14 | 2209.08 | 4/1 | 2025.14 | 7/8 |
| **Norway** | | | | | | | |
| Oslo SE(Ind)(2/1/83) | 1389.90 | 1387.48 | 1388.37 | 1466.71 | 12/6 | 1259.88 | 30/1 |
| **Philippines** | | | | | | | |
| Manila Comp(2/1/85) | 3090.69 | 3092.67 | 3108.70 | 3374.40 | 5/7 | 2578.97 | 2/1 |
| **Portugal** | | | | | | | |
| BVL 30(4/1/93) | 1938.94 | 1938.89 | 1939.75 | 1989.29 | 3/7 | 1602.81 | 2/1 |
| **Singapore** | | | | | | | |
| SES All-S'pore(2/4/75) | 532.75 | 524.71 | 530.09 | 610.37 | 5/2 | 322.15 | 30/7 |
| **South Africa** | | | | | | | |
| JSE Gold(28/9/78) | 1731.2♥ | 1730.8 | 1734.4 | 2030.40 | 29/5 | 1348.40 | 2/1 |
| JSE Indl.(28/9/78) | 7850.4 | 7738.8 | 7736.5 | 8738.30 | 25/1 | 7659.40 | 20/8 |
| **South Korea** | | | | | | | |
| KoreaCompEx**(4/1/80) | 793.91 | 800.52 | 814.96 | 986.84 | 7/5 | 793.91 | 20/8 |
| **Spain** | | | | | | | |
| Madrid SE(30/12/85) | 354.03 | 353.25 | 355.24 | 375.26 | 1/7 | 323.76 | 11/1 |
| **Sweden** | | | | | | | |
| AffarsvardsGen(1/2/37) | 1977.9 | 1982.1 | 1973.7 | 2019.00 | 6/6 | 1706.80 | 22/1 |
| **Switzerland** | | | | | | | |
| Swiss Bk Ind(31/12/58) | 1759.94 | 1744.89 | 1742.66 | 1811.88 | 11/7 | 1518.19 | 17/1 |
| SBC General(1/4/87) | 1245.04 | 1236.18 | 1237.92 | 1284.98 | 11/7 | 1114.47 | 26/1 |
| **Taiwan** | | | | | | | |
| WeightedPr.**(30/6/66) | 6057.44 | 6047.51 | 6249.61 | 6589.41 | 29/6 | 4690.22 | 6/2 |
| **Thailand** | | | | | | | |
| Bangkok SET(30/4/75) | 1071.41 | 1087.48 | 1083.88 | 1415.04 | 6/2 | 1064.04 | 31/7 |
| **Turkey** | | | | | | | |
| Istanbul Cmp.(Jan 1986) | 83389.6 | 82421.9 | 82557.1 | 73631.38 | 8/7 | 38779.30 | 2/1 |
| **WORLD** | | | | | | | |
| MS Capital Intl(1/1/70) | 770.4* | 769.1 | 767.4 | 783.20 | 1/7 | 725.90 | 15/1 |
| **CROSS-BORDER** | | | | | | | |
| Eurotrack 100(26/10/90) | 1659.23 | 1650.74 | 1649.44 | 1709.78 | 4/7 | 1504.49 | 11/1 |
| Euro Top-100(26/6/90) | 1423.17 | 1411.03 | 1417.03 | 1459.29 | 28/4 | 1333.01 | 11/1 |
| HSBC JC Drgn(31/12/88) | (u) | 369.14 | 369.56 | 383.16 | 16/4 | 344.19 | 2/1 |
| MS Emgs Euro(7/1/92) | 156.05 | 156.50 | 156.63 | 165.91 | 4/7 | 142.35 | 2/1 |

## INDEX FUTURES

| | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **CAC-40 (200 x Index) (Aug 14)** | | | | | | | |
| Aug | 1999.0 | 2026.5 | +33.5 | 2027.0 | 1998.0 | 222 | 25,421 |
| Sep | 2005.5 | 2032.0 | +33.5 | 2032.5 | 2005.0 | 901 | 21,762 |
| **DAX** | | | | | | | |
| Sep | 2563.5 | 2571.5 | +8.5 | 2574.5 | 2562.5 | 11,606 | 82,124 |
| Dec | 2545.0 | 2580.0 | +7.50 | 2591.5 | 2545.0 | 1,187 | 6,127 |
| **OMX** | | | | | | | |
| Jul | 1518.00 | 1533.00 | +17.00 | 1533.75 | 1516.75 | 7,268 | 13,489 |
| Aug | 1524.00 | 1541.00 | +17.75 | 1541.00 | 1519.25 | 5,155 | 8,060 |
| **SOFFEX** | | | | | | | |
| Oct | 3710.5 | 3715.5 | +23.5 | 3710.5 | 3710.5 | 9 | 352 |

** Sat Aug 17: Taiwan Weighted Price 6228.62; Korea Comp Ex 810.89. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 20 - 2562.12 +6.67.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

## US INDICES

| Dow Jones | Aug 19 | Aug 16 | Aug 15 | 1996 High | 1996 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 5699.44 | 5689.45 | 5665.78 | 5778.00 (22/5) | 5032.94 (10/1) | 5778.00 (22/5/96) | 41.22 (8/7/32) |
| Home Bonds | 102.32 | 102.43 | 102.66 | 106.08 (14/2) | 100.99 (15/7) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 2062.90 | 2052.20 | 2046.63 | 2298.20 (22/5) | 1882.71 (18/1) | 2298.20 (22/5/96) | 12.32 (8/7/32) |
| Utilities | 218.65 | 216.16 | 214.29 | 234.00 (12/2) | 204.86 (30/7) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 5726.66 (5722.74) Low 5664.30 (5646.54) (Theoretical♦)
Day's high 5704.99 (5698.70) Low 5685.88 (5668.62) (Actual♦)

| Standard and Poors | Aug 19 | Aug 16 | Aug 15 | 1996 High | 1996 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 666.58 | 665.21 | 662.28 | 678.51 (24/5) | 598.48 (10/1) | 678.51 (24/5/96) | 4.40 (1/6/32) |
| Industrials♥ | 786.53 | 785.17 | 782.87 | 807.88 (5/6) | 702.07 (15/1) | 807.88 (5/6/96) | 3.62 (21/6/32) |
| Financial | 70.15 | 69.93 | 69.05 | 70.15 (19/8) | 58.87 (10/1) | 70.15 (19/8/96) | 8.64 (1/10/74) |
| NYSE Comp. | 358.64 | 355.96 | 354.22 | 363.74 (24/5) | 321.41 (10/1) | 363.74 (24/5/96) | 4.46 (25/4/42) |
| Amex Mkt Val | 557.60 | 556.14 | 552.53 | 614.99 (22/5) | 525.60 (16/7) | 614.99 (22/5/96) | 29.31 (9/12/72) |
| NASDAQ Comp | 1130.91 | 1133.65 | 1134.69 | 1249.14 (5/6) | 988.57 (15/1) | 1249.14 (5/6/96) | 54.87 (31/10/72) |

### RATIOS

| | Aug 16 | Aug 9 | Aug 2 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.16 | 2.21 | 2.20 | 2.48 |
| | Aug 14 | Aug 7 | Jul 31 | Year ago |
| S & P Ind. Div. yield | 2.04 | 2.03 | 2.10 | 2.07 |
| S & P Ind. P/E ratio | 22.04 | 21.18 | 21.35 | 18.68 |

### NEW YORK ACTIVE STOCKS

| Monday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| BP | 12.528m | 118¼ | +⅛ |
| PepsiCo | 7,954,800 | 30¼ | −1 |
| AT&T | 4,661,400 | 54⅛ | −1⅛ |
| Philip Morris | 4,287,500 | 89¼ | +1⅛ |
| WalMart | 3,982,000 | 27 | −⅛ |
| RJ Nabisco | 3,277,300 | 28⅝ | +1⅛ |
| Centoch | 3,128,200 | 20¼ | +5¼ |
| Harrahs En | 2,882,300 | 18⅛ | −2⅝ |
| H Packard | 2,417,600 | 42⅝ | +⅜ |
| Exxon | 2,140,800 | 83⅝ | +1 |

### TRADING ACTIVITY

| ● Volume (million) | Aug 19 | Aug 16 | Aug 15 |
|---|---|---|---|
| New York SE | 283.530 | 333.271 | 324.635 |
| Amex | 16.212 | 18.271 | 23.338 |
| NASDAQ | 358.568 | 430.114 | 469.481 |
| **NYSE** | | | |
| Issues Traded | 3,169 | 3,154 | 3,182 |
| Rises | 1,227 | 1,560 | 1,296 |
| Falls | 1,037 | 760 | 1,023 |
| Unchanged | 905 | 834 | 864 |
| New Highs | 118 | 116 | 94 |
| New Lows | 21 | 18 | 28 |

| | Open | Latest | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **S&P 500** | | | | | | | |
| Sep | 668.50 | 667.50 | −0.50 | 668.30 | 667.50 | 52,506 | 170,030 |
| Dec | 674.30 | 673.85 | −0.15 | 674.30 | 673.85 | 975 | 12,998 |

| | Open | Sett price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **Nikkei 225** | | | | | | | |
| Sep | 21170.0 | 21180.0 | +10.0 | 21180.0 | 21000.0 | 19,123 | 293,469 |
| Dec | 21190.0 | 21270.0 | +80.0 | 21270.0 | 21040.0 | 6,754 | 21,920 |

Open interest figures for previous day.

### TOKYO - MOST ACTIVE STOCKS: Tuesday, August 20, 1996

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nichiboshin | 7.2m | 520 | +20 | Ishihara Hvy Ind | 3.3m | 537 | +14 |
| TYK Corp | 6.5m | 1370 | -10 | Teisan | 3.2m | 765 | +26 |
| Mitsui Matsushima | 5.9m | 702 | +12 | Showa Aluminium | 3.2m | 705 | +40 |
| Takara Shuzo | 5.0m | 1150 | +70 | Marui | 2.7m | 2260 | +10 |
| Rhythm Watch | 4.4m | 456 | +16 | Nippon Stl Corp | 2.6m | 354 | +5 |

4 pm close August 20

# NEW YORK STOCK EXCHANGE PRICES

| 1996 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 23¾ | 17¾ | AAR | 0.48 | 2.3 | 20 | 133 | 20¾ | 20½ | 20⅝ | +⅛ |
| 40⅛ | 36⅛ | AMP | 1.00 | 2.6 | 18 | 1938 | 38⅝ | 37⅞ | 38½ | -¼ |
| 97½ | 66 | AMR | | | 17 | 3755 | 84¾ | 84 | 84⅝ | +⅝ |
| 50½ | 37⅛ | ASA v | 2.00 | 5.0 | 26 | 474 | 40 | 39¾ | 40 | +⅛ |
| 47¾ | 38⅛ | AbbtL | 0.88 | 2.0 | 20 | 7143 | 47¾ | 47¼ | 47½ | |
| 17¾ | 12¼ | AbitibiPr | 0.40 | 2.9 | 7 | 667 | 13⅝ | 13½ | 13⅝ | +⅛ |
| 20¼ | 13½ | ABM Ind | 0.35 | 2.0 | 17 | 319 | 17⅞ | 17 | 17⅛ | -½ |
| 18⅝ | 13⅞ | Acptncein | | | 36 | 21 | 17⅞ | 17⅞ | 17⅞ | |
| 50⅞ | 37¼ | ACE Ltd | 0.56 | 1.2 | 11 | 2320 | 47¾ | 47 | 47¼ | +½ |
| 10⅛ | 9⅛ | ACM Gvt In x | 0.90 | 9.0 | 8 | 202 | 10 | 9⅞ | 10 | |
| 7⅞ | 6⅝ | ACM GvOpp x | 0.57 | 8.1 | | 32 | 7⅛ | 7 | 7 | |
| 7¼ | 6 | ACM Gvt Sp x | 0.68 | 10.0 | | 409 | 6⅞ | 6½ | 6⅝ | |
| 9⅛ | 8¼ | ACM Gvt Se x | 0.90 | 10.3 | | 349 | 8⅞ | 8¾ | 8⅞ | |
| 9½ | 8⅞ | ACM Man x | 0.90 | 9.7 | | 421 | 9⅛ | 9¼ | 9¼ | -⅛ |
| 13⅞ | 6⅛ | Acme Elect | 0.32 | 4.1 | 131 | 25 | 8 | 7¾ | 7⅞ | |
| 17½ | 13⅞ | Acme Mills | | | 9 | 55 | 15 | 14¾ | 15 | +⅛ |
| 33¼ | 27¾ | Acordia | 0.72 | 2.3 | 18 | 8 | 31 | 31 | 31 | |
| 21⅞ | 12 | Acxiom | | | 68 | 376 | 13¾ | 13½ | 13⅝ | |
| 19½ | 17⅞ | Adams Exp x | 0.48 | 2.5 | 0 | 299 | 19⅛ | 19 | 19¼ | +⅛ |
| 21¼ | 10¼ | AdvMc | | | 8 | 2842 | 13 | 12¾ | 12⅞ | -¼ |
| 11⅛ | 8½ | Advest Grp | 0.16 | 1.6 | 7 | 101 | 9⅞ | 9¾ | 9⅞ | +⅛ |
| 26¼ | 9⅛ | Advo Inc | 0.10 | 1.0 | 493 | 968 | 10 | 9¾ | 9⅞ | |
| 50⅛ | 41⅛ | Aegon | 1.19 | 2.4 | 15 | 28 | 48¾ | 48⅝ | 48⅝ | +1¼ |
| 6¾ | 3½ | Aerfix | | | 3 | 1127 | 6⅞ | 5⅞ | 5⅞ | |
| 60½ | 57⅝ | Aetna | 0.80 | 1.2 | 7 | 7217 | 68⅞ | 67⅞ | 67¾ | -1 |
| 36½ | 28¼ | Aflac x | 0.40 | 1.2 | 14 | 1985 | 35 | 34¼ | 34¾ | -¼ |

## - B -

## - C -

## - D -

## - E -

## - F -

## - G -

## - H -

## - I -

## - J -

## - K -

## - L -

## - M -

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## - O -

## - P - Q -

## - R -

## - S -



Continued on next page

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*4 pm close August 20*

# NYSE PRICES

Continued from previous page

| 1996 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 20 3/8 | 12 | SciAtl | 0.06 | 0.4 | 178 | 1727 | 14 3/8 | 14 1/8 | 14 1/4 | +1/4 |
| 21 | 17 | Scotman | 0.10 | 0.5 | 11 | 16 | 20 1/2 | 20 3/8 | 20 1/2 | |
| 47 1/2 | 38 1/8 | ScrIpps | 0.52 | 1.2 | 25 | 159 | 44 7/8 | 44 5/8 | 44 7/8 | +1/8 |
| 18 1/8 | 13 3/4 | ScuddrNAsF | 0.02 | 0.1 | | 144 | 13 5/8 | 13 3/8 | 13 3/8 | -1/4 |
| 12 7/8 | 11 | ScuddrNEuF | 0.16 | 1.2 | | 529 | u12 7/8 | 12 3/4 | 12 7/8 | +1/4 |
| 20 1/2 | 16 | SeaCnB | 0.17 | 0.9 | 25 | z100 | 18 7/8 | 18 7/8 | 18 7/8 | +1/8 |
| 16 | 15 | SeaC1.4625 | 1.46 | 9.5 | | z100 | 15 5/8 | 15 3/8 | 15 3/8 | +1/4 |
| 67 3/4 | 36 1/8 | Sgate | | | 25 | 5510 | 52 1/2 | 52 1/8 | 52 1/4 | +1/4 |
| 38 3/8 | 30 7/8 | Seagrm | 0.60 | 1.8 | 23 | 1591 | 34 1/4 | 34 | 34 | -1/8 |
| 26 | 17 1/8 | Seagull En | 1.20 | 6.4 | 12 | 1446 | 19 1/4 | 18 3/4 | 18 3/4 | -3/8 |
| 39 | 26 | Sealed Air | 0.64 | 1.7 | 25 | 630 | 38 1/8 | 37 3/4 | 37 7/8 | +1/8 |
| 53 7/8 | 38 1/4 | SearsR | 0.92 | 2.0 | 16 | 6675 | 46 | 45 | 46 | +3/4 |
| 22 5/8 | 19 1/4 | SecCapSB | 1.24 | 5.9 | 19 | 2077 | 21 | 20 3/4 | 20 7/8 | +1/8 |
| 13 | 11 7/8 | Seligm Sel x | 0.84 | 6.7 | | 52 | 12 1/2 | 12 3/8 | 12 1/2 | +1/8 |
| 23 3/4 | 13 5/8 | Sensormat | 0.22 | 1.2 | 14 | 1915 | 18 3/4 | 18 1/2 | 18 5/8 | +1/8 |
| 44 7/8 | 29 1/2 | SequaA | 0.60 | 1.4 | 50 | 65 | 43 3/4 | 43 1/2 | 43 5/8 | -1/8 |
| 50 3/4 | 39 | SequaB | 0.50 | 1.0 | 58 | 12 | u50 3/4 | 49 3/4 | 50 1/4 | |
| 60 1/4 | 39 7/8 | ServCp | 0.41 | 0.7 | 28 | 3416 | 57 7/8 | 57 1/2 | 57 3/4 | |
| 23 1/2 | 19 1/2 | SvMstr | 0.68 | 3.0 | 14 | 387 | 23 | 22 3/4 | 22 7/8 | |
| 9 1/4 | 4 1/2 | SvrdMarch | | | 10 | 4279 | 4 7/8 | 4 5/8 | 4 5/8 | -1/4 |
| 48 1/4 | 29 1/2 | SGSThm | | | 6 | 583 | 38 7/8 | 38 | 38 1/2 | +3/8 |
| 15 5/8 | 10 5/8 | Shaw Ind | 0.30 | 2.0 | 39 | 6447 | u15 5/8 | 15 | 15 3/8 | +1/4 |
| 13 1/2 | 10 1/8 | Shelby Wil | 0.32 | 2.5 | 15 | 13 | 12 3/4 | 12 3/4 | 12 3/4 | |
| 89 7/8 | 76 5/8 | ShellTr | 3.28 | 3.7 | 18 | 223 | 89 1/2 | 89 | 89 1/4 | +3/4 |
| 47 1/8 | 39 | ShrW | 0.70 | 1.5 | 18 | 698 | 45 3/8 | 45 1/8 | 45 3/8 | +1/8 |
| 13 3/8 | 7 7/8 | Shoneys | | | 10 | 696 | 9 3/4 | 9 1/4 | 9 3/8 | |
| 35 1/2 | 18 3/4 | Showboat | 0.10 | 0.5 | 47 | 2821 | 20 7/8 | 20 1/8 | 20 3/8 | +1/8 |
| 26 | 22 3/4 | Sierra Pac | 1.18 | 4.6 | 11 | 194 | 25 7/8 | 25 3/4 | 25 3/4 | -1/4 |

# NASDAQ NATIONAL MARKET

*4 pm close August 20*

# AMEX PRICES

*4 pm close August 20*

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| NVR | | 7 | 13 | 10 3/8 | 10 1/4 | 10 3/8 | +1/8 |
| Pegasus G | 0.10 | 116 | 3039 | 11 7/8 | 11 5/8 | 11 7/8 | +1/8 |
| Pentel | 0.80 | 7 | 40 | 10 1/4 | 10 1/8 | 10 1/8 | -1/8 |
| Pittway A | 0.33 | 13 | 43 | 42 3/4 | 42 | 42 3/4 | +5/8 |
| PMC | 1.12 | 11 | 46 | 13 1/4 | 13 | 13 1/4 | |
| RagenBrad | | 28 | z100 | 31 1/4 | 31 1/4 | 31 1/4 | |
| S.JW Corp | 2.22 | 10 | 16 | 41 1/4 | 40 7/8 | 41 1/4 | |
| Tab Prods | 0.20 | 12 | 35 | 7 1/8 | 6 7/8 | 6 7/8 | |
| Tel&Data | 0.40 | 16 | 229 | 41 1/2 | 41 | 41 | -1/4 |
| Thermedics | | 43 | 262 | 27 | 26 1/2 | 27 | +1/4 |
| Thermopins | | 29 | 170 | 36 5/8 | 35 1/4 | 35 7/8 | -3/8 |
| TotPNA | 0.30 | 153 | 84 | 10 7/8 | 10 3/4 | 10 3/4 | -1/8 |
| TownCntry | | 4 | 100 | 1/4 | 1/4 | 1/4 | |
| Triton | | 0 | 171 | 11/16 | 5/8 | 11/16 | +1/16 |
| Tubos Mex | | 7 | 6045 | u11 3/4 | 11 5/8 | 11 5/8 | |
| TurnerBrA | 0.07 | 113 | 177 | 25 1/8 | 24 7/8 | 25 | -1/4 |
| TurnrBrB | 0.07 | 114 | 659 | 25 1/2 | 25 1/8 | 25 1/4 | -1/8 |
| UtdFoodsA | 0.20 | 20 | 2 | 1 5/8 | d1 5/8 | 1 5/8 | |
| UtdFoodsB | 0.20 | 22 | 12 | 1 11/16 | 1 11/16 | 1 11/16 | |
| US Cellul | | 18 | 193 | 31 5/8 | 31 1/8 | 31 1/4 | |

FINANCIAL TIMES Wednesday August 21 1996

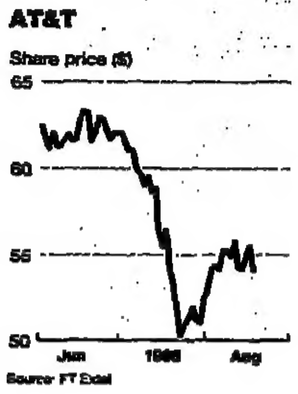
AMERICA

# US stocks edge forward at midsession

## Wall Street

The Dow Jones Industrial Average continued to edge ahead in very light trading as the US financial markets awaited the outcome of the latest Federal Open Market Committee meeting, *writes Richard Waters.*

Although most Wall Street economists had dismissed the chance of an interest rate increase at the meeting, the fixed income and equity markets generally marked time




The index of leading stocks continued where it had left off on Monday, a day which had seen the second-lowest trading volume of the year. By lunchtime it was at 5,713.49, up 14.05. The broader Standard & Poor's 500 was up only 0.09 at 666.67, while the Nadsaq composite eased 3.27 to 1,127.64.

The Dow's advance during the morning was driven largely by gains among companies whose earnings are most directly tied to the economic cycle. That reflected the general belief that US short-term interest rates will remain unchanged, at least until after November's presidential election.

Among the biggest movers, Alcoa rose $1⅛ to $62⅞, while Caterpillar $⅞ to $71¼ and Du Pont $1⅛ to $83⅛.

AT&T, which had been the biggest decliner in the Dow on Monday, recovered some of its lost ground, adding $¼ to $54⅜. That repaired some of the damage done by the departure of its highly regarded president, Mr Alex Mandl, who left to join Associated Communications, a new wireless telecommunications company. Associated Group, that company's main shareholder, rose $2⅝ more to $32⅝ after the $4⅞ gain on Monday. AT&T's shares remain some 10 per cent below their level of early July, when the company reported disappointing second quarter earnings.

The general mood of optimism about interest rates contributed to a good morning for bank stocks. Chase Manhattan rose $⅜ to $77⅝, a new high, while First Bank System was $⅞ higher at $63¾. Wells Fargo rose another $2¼ to $256⅝.

Another group to record solid gains were the tobacco stocks, which showed a further partial rebound from the sharp drops precipitated by an adverse court ruling 12 days ago. Philip Morris rose $1⅝, to $91¼, and RJR Nabisco $⅛ to $27⅛.

## Canada

Toronto put its faith in resource stocks. Its metals and minerals index was a percentage point ahead at noon. Gold and precious metals, and oil and gas were just behind as the TSE 300 composite index rose 18.47 to 5,136.04 in volume of 38.8m shares, up from 32.7m.

Inco, up 50 cents and C$44.10, and Diamond Fields Resources, 65 cents better at C$41.50, improved after the settlement of a Texas lawsuit, opening the way to close Inco's C$4.3bn acquisition of DFR today. Armada Gold leapt 45 cents to C$2.55 on initial drilling results from a Russian deposit.

# Mexico sets record

Equities in **MEXICO CITY** remained strong and by midsession the IPC index had set a new all-time intraday high, up 59.39 or 1.8 per cent at 3,3841.06.

Analysts said that many traders expected Cetes rates to fall, and it was this factor, as well as expectations that the US Federal Reserve would leave interest rates unchanged, which had been building confidence. Telmex L shares were up 1.3 per cent to 12.12 pesos, while in New York the group's ADRs were $⅝ stronger at $32⅛.

**SAO PAULO** was slightly stronger at midday, in a technical reaction to Monday's fall which had been prompted by the expiry of options. The Bovespa index was up 136 at 63,057.

Investors were also awaiting the release of July trade deficit data, expected to fall between $100m and $150m later in the session.

**BUENOS AIRES** was slightly weaker in midsession trading, with the Merval index off 4.32 at 520.77.

## Jo'burg industrials retreat

Industrials bore the brunt of the session's fall as the domestic currency came under renewed pressure. The overall index tumbled 76 to 6,445, its lowest level since early January, as the industrial index shed 88 to a nine-month low of 7,650. The gold index was barely changed, showing a rise of 1 to 1,731.

The collapse of the rand to a fresh low against the dollar in overnight New York trading served to undermine sentiment, said traders.

Among the hardest hit stocks was South African Breweries, down R3 to R115.50, after trading as low as R114. Rembrandt, the tobacco and industrial holdings group, lost R1.50 to R36, up from an intra-day low of R35.40.

EUROPE

# Rate hopes take Paris through 2,000 level

Hopes of a cut in interest rates later in the week helped **PARIS** break convincingly through the 2,000 level. The CAC-40 index rose 33.05 to 2,019.26, its highest point since the start of the month, when equities began to feel the effects of a speculative attack on the franc. Turnover was around FFr3.4bn.

Axa added FFr4 or 1.4 per cent to FFr287.50 after reporting a 24 per cent rise in turnover for the first half. Also in the insurance sector, Gan put on FFr3.30 or 2.6 per cent to FFr129 as a newspaper suggested that Caisses d'Epargne, the savings bank, was preparing to bid for Gan's CIC banking subsidiary.

Eridania Beghin-Say, up FFr35 or 5 per cent at FFr750, was lifted by the outlook for cheaper raw material prices, particularly corn and maize, while Michelin was up FFr7.30 or 3 per cent at FFr240.20 as the US market research organisation, JD Power, put out a positive comment on the tyre maker.

Lyonnaise des Eaux rose FFr10.80 or 2.4 per cent to FFr458.5, after winning a Turkish water management contract.

**MILAN** staged a technical recovery after Monday's losses. The Mibtel index rose 48 to 9,593 while the Comit index improved 1.60 to 602.80. Turnover remained low at about L270bn.

Stocks in the telecommunications sector rebounded with Stet up L5 to L4,705 and Sirti, the telephone equipment manufacturer, gaining L25 to L9,300. Telecom Italia jumped L10 to L2,935 while TIM, the cellular telephone company, made L35 to L3,170.

Fiat was among those in reverse, down L20 to L4,725, as prospects for a recovery in the domestic car market began to deteriorate.

**AMSTERDAM** witnessed healthy gains among financials and transport stocks as the AEX index continued to move steadily forward, up 4.87 to 565.72 after a session high of 565.94.

Aegon, the insurer, which will report interim earnings tomorrow, made Fl 2.50 or 3 per cent to Fl 82.20. Analysts said they expected the group to show a rise of up to 13 per cent in its first half profits, mainly owing to earnings growth from its life insurance activities.

ING, which also reports interim earnings tomorrow, rose 40 cents to Fl 55.20, with forecasts of a gain of between 22 per cent to 29 per cent over the six month period.

Among transport stocks Pakhoed made Fl 1.70 to Fl 46.30 in spite of reporting a sharply lower first half profit due to a one-off restructuring charge. Analysts said they were confident that the company would show a substantial improvement in the second half and during 1997. They pointed to improvements in chemical storage performance and the conclusion of a long-term contract in Singapore as good omens for future growth.

Nedlloyd, due to report interims today, rose 50 cents to Fl 85, while Van Ommeren improved 40 cents to Fl 65.50 as its first half figures came in line with expectations.

Nutricia, which moved to a new year's high of Fl 196 during the session, dropped back to close with a rise of Fl 2.40 to Fl 194.40.

**FRANKFURT** awaited news from the US Federal Reserve meeting, and from the Bundesbank tomorrow. German money supply growth fell from 9.6 per cent in June to 8.6 per cent in July, but this was not enough to energise the market. The Dax index rose 5.87 to an Ibis-indicated 2,562.12.

The index traded in a range of less than 10 points. Turnover stayed low at DM5.4bn, against DM4.7bn on Monday. In utilities, RWE and Viag rose 84pfg to DM55.30, and DM6.75 to DM569.35 respectively, ahead of the latter's interim figures.

Meanwhile, Mannesmann gained DM6.40 at DM542.50 after its half year report on Monday, which saw a number of brokers maintaining their buy recommendations.

**VIENNA** lost ground, extending its string of half-year results with disappointing figures from the chipmaker, Austria Mikro Systeme, and a report from Austria's biggest industrial group, OMV, which did not measure up to bullish expectations.

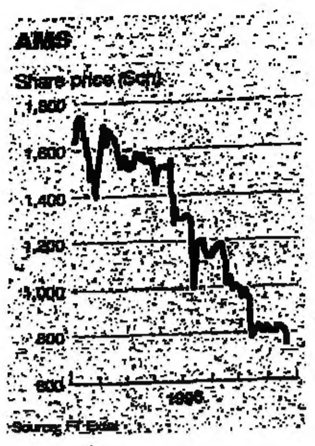
AMS dropped Sch42 or 5.3 per cent to Sch747, down from a year's high of Sch1,750, and analysts thought it might fall further after a first half loss of Sch3.1m. OMV fell Sch13.9 to Sch1,025 and the ATX index by 4.45 to 1,029.01.

**COPENHAGEN** ground its way to its fifth consecutive all-time closing high, the KFX index ending 0.38 up at 120.59 with Unibank DKr2 better at DKr272 on better than expected interim profits. **HELSINKI** hit a ten month high with the Hex index up 15.37 at 2,101.22 and Amer, the sporting goods group, leaping DKr8.70 to DKr108.90 on strong overseas demand.

**ATHENS** broke resistance at 900, closing 2.3 per cent higher in the expectation of political stability and a serious effort to tackle pending economic problems. The Greek prime minister, Mr Costas Simitis, will decide this week whether to call early elections next month. Discounting his re-election, the general index finished 20.37 higher at 907.92.

**ISTANBUL** rose 1.5 per cent on bargain hunting, following a loss of 4.2 per cent last week. The composite index gained 947.77 or 1.5 per cent to 63,369.69 as turnover rose to TL5,090bn from Monday's TL4,700bn.

Brokers noted that equities had been back-tracking since reaching a record high of 73,531.3 on July 8.




**FT-SE Actuaries Share Indices**

| Aug 20 | | | | | | | THE EUROPEAN SERIES | |
|---|---|---|---|---|---|---|---|---|
| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
| FT-SE Eurotrack 100 | 1655.01 | 1656.38 | 1657.00 | 1657.80 | 1658.25 | 1658.39 | 1659.49 | 1659.23 |
| FT-SE Eurotrack 200 | 1720.64 | 1721.57 | 1722.33 | 1723.29 | 1723.70 | 1724.75 | 1723.63 | 1723.75 |

| | Aug 19 | Aug 16 | Aug 15 | Aug 14 | Aug 13 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1650.74 | 1648.44 | 1643.79 | 1639.62 | 1637.82 |
| FT-SE Eurotrack 200 | 1713.95 | 1717.78 | 1707.83 | 1704.40 | 1701.88 |

Base value 1000 (26/10/90); High/day: 100 - 1660.75; 200 - 1725.35 Low/day: 100 - 1654.73 200 - 1720.61 † Partial.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

# Short covering helps Nikkei regain lost ground

## Tokyo

Short covering ahead of the US Federal Reserve meeting allowed the Nikkei average to recoup earlier losses, *writes Emiko Terazono in Tokyo.*

The 225 index rose 20.60 to 21,127.01, trading between 20,971.36 and 21,163.18. The Topix index of all first section stocks rose 3.09 to 1,594.86 and the Nikkei 300 by 0.75 to 296.52.

Advances led declines by 577 to 420, with 210 unchanged. Volume totalled 253m shares against 271m. While most investors remained on the sidelines, and interest rate concerns had receded in both the US and in Japan, some professionals said investors wanted to square their positions ahead of the US monetary policy meeting.

In London, the ISE/Nikkei 50 index rose 2.95 to 1,419.00.

A decline in brokerage issues reflected concern about the lack of market activity, and its effect on the sector's earnings. Yamaichi Securities lost Y16 to Y709 and Nikko Y10 to Y1,190.

Foreigners and individuals took profits on telecom related issues which were higher last week. Nippon Telegraph and Telephone fell Y10,000 to Y802,000 and Matsushita Communication Industrial, which manufactures mobile telephones, declined Y30 to Y3,050.

Higher crude oil prices supported petroleum refiners and distributors. Nippon Oil rose Y16 to Y700 and Cosmo Oil by Y25 to Y657.

Large capital steels and shipbuilders gained ground. Nippon Steel rose Y5 to Y354 and NKK added Y4 to Y304. Mitsubishi Engineering and Shipbuilding rose Y5 to Y305 and Ishikawajima Harima Heavy Industries rose Y14 to Y537.

Speculative issues led activity. Nichiboshin, the most active issue of the day, rose Y20 to Y520, Mitsui Matsushima gained Y12 to Y702 but TYK lost Y10 to Y1,370.


Sony Music dropped Y500 or 11 per cent to Y4,050, a new low for the year, following Monday's surprise slump in earnings.

In Osaka, the OSE average rose 6.98 to 22,027.21 in volume of 66m shares. Nintendo, the video game maker which lost ground last week on fears of sluggish earnings, declined Y60 to Y7,040.

## Roundup

Reports that a number of large foreign institutions were selling their holdings took **SEOUL** below 800 for the first time in nearly three years. The composite index closed 6.61 lower at 793.91.

However, some brokers blamed the negative mood on disappointing first-half results. Volume remained extremely thin at 15.9m shares, up from the previous day's 14.7m.

Dongwon was one of the heaviest losers, falling Won3,400 to Won54,100.

**SYDNEY** was in very cautious mood ahead of the budget statement, made after the close of trading. The All Ordinaries index advanced 3.2 to 2,264.7 in turnover of A$850.3m.

BHP illustrated the market's general behaviour, rising to an intraday high of A$17.75 before slipping back to A$17.53, a rise of 1 cent.

**HONG KONG** was lifted by a rally in utilities and the Hang Seng index broke through the 11,300 level for the first time since March; it closed 99.03 higher at 11,312.51, with turnover easing from HK$3.71bn to HK$3.44bn.

The Hang Seng utilities index rose 205.25 or 2.2 per cent to 9,676.05. China Light and Power put on 80 cents at HK$33.30, Hongkong Telecom 30 cents to HK$13.10, Hong Kong and China Gas 25 cents at HK$12.55 and Hongkong Electric 30 cents at HK$23.30.

Traders suggested that a number of institutions were switching out of banking into property and the utilities sectors ahead of the latter's forthcoming half year results. The property index rose 151.02 to 21,195.95.

Guangdong Investment, a mainland-controlled investment company, was suspended at midday. The group planned a placing of around 80m shares at HK$5.22 each.

**BANGKOK** was modestly firmer as the Bt21bn stock market support fund was finally introduced. The SET index rose 3.93 to 1,071.41, in turnover of Bt2.4bn. The fund was set up last month by the Association of Securities Companies to boost trading on the stock exchange, which has declined markedly in recent months.

Advanced Info Service was one of the most active shares, rising Bt4 to Bt320. Shinawatra Computer & Communications, the parent group, rose Bt6 to Bt348, but its foreign shares fell Bt26 to Bt346 as foreign investors reacted to poor first-half corporate earnings.

**SINGAPORE** speculated in second liners, although sentiment was lifted partly by strong July trade figures as the Straits Times Industrial index rose 18.15 to 2,123.81.

The tobacco tycoon, Putera Sampoerna, raised his bid for Transmarco from S$6.50 to S$8.55 a share. Unfortunately for speculators, Transmarco was suspended at S$9.80 in mid afternoon.

**KARACHI** fell 1 per cent on selling of blue chips which was associated with rising political uncertainty and a negative economic outlook. The KSE 100-share index lost 14.81 to 1,423.64.

**BOMBAY** saw buying by domestic institutions and recovered around a third of Monday's losses. The recast BSE 30 share index rose 34.57 to 3,3316.06.

Foreigners sold SBI, India's largest commercial bank, which has plans to issue up to $500m worth of GDRs; but reports that the bank would benefit by Rs2bn in excess depreciation on government securities in 1995-96, helped the stock rise Rs2.25 to Rs266.25.

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | MONDAY AUGUST 19 1996 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | FRIDAY AUGUST 16 1996 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (80) | 205.35 | 2.2 | 196.97 | 140.12 | 158.88 | 172.88 | 1.5 | 4.23 | 200.87 | 192.35 | 136.99 | 155.96 | 170.37 | 212.18 | 178.02 | 178.02 |
| Austria (24) | 179.35 | 0.1 | 172.05 | 122.39 | 138.77 | 138.71 | -0.3 | 2.03 | 179.20 | 171.60 | 122.21 | 139.14 | 139.07 | 195.04 | 168.11 | 183.57 |
| Belgium (27) | 216.29 | 0.3 | 207.47 | 147.59 | 167.34 | 163.53 | -0.1 | 4.07 | 215.70 | 206.55 | 147.10 | 167.48 | 163.67 | 217.62 | 186.97 | 188.21 |
| Brazil (28) | 180.26 | -0.5 | 172.91 | 123.00 | 139.46 | 336.18 | -0.5 | 1.90 | 181.10 | 173.42 | 123.51 | 140.61 | 337.71 | 189.70 | 123.97 | 147.08 |
| Canada (118) | 161.43 | 0.5 | 154.85 | 110.15 | 124.90 | 160.61 | 0.6 | 2.24 | 160.61 | 153.80 | 109.54 | 124.71 | 159.73 | 165.12 | 134.14 | 147.92 |
| Denmark (30) | 318.30 | 0.8 | 305.33 | 217.20 | 246.27 | 249.06 | 0.4 | 1.84 | 315.95 | 302.55 | 215.47 | 245.32 | 248.14 | 318.30 | 276.89 | 281.88 |
| Finland (23) | 207.86 | -0.1 | 199.39 | 141.84 | 160.82 | 195.13 | -0.2 | 2.56 | 208.06 | 199.24 | 141.90 | 161.55 | 195.57 | 276.11 | 171.73 | 258.79 |
| France (95) | 188.04 | 0.4 | 180.37 | 128.31 | 145.48 | 150.15 | 0.2 | 3.21 | 187.30 | 179.36 | 127.74 | 145.43 | 149.81 | 198.39 | 167.70 | 182.80 |
| Germany (58) | 176.35 | 0.8 | 169.16 | 120.34 | 136.44 | 136.44 | 0.5 | 1.79 | 174.86 | 167.44 | 119.25 | 135.77 | 135.77 | 176.72 | 155.66 | 159.60 |
| Hong Kong (59) | 429.64 | 0.8 | 412.13 | 293.17 | 332.41 | 426.60 | 0.6 | 3.43 | 427.25 | 409.14 | 291.38 | 331.74 | 424.25 | 451.19 | 348.86 | 349.59 |
| Indonesia (27) | 184.74 | 0.1 | 177.21 | 126.06 | 142.93 | 265.37 | 0.1 | 1.79 | 184.49 | 176.66 | 125.82 | 143.24 | 265.23 | - | - | - |
| Ireland (16) | 287.06 | -0.2 | 275.35 | 195.88 | 222.09 | 251.81 | -0.2 | 3.46 | 287.78 | 275.58 | 196.26 | 223.45 | 252.38 | 290.82 | 237.69 | 237.69 |
| Italy (58) | 75.61 | -1.1 | 72.53 | 51.59 | 58.50 | 85.67 | -1.3 | 2.51 | 76.47 | 73.22 | 52.15 | 59.37 | 86.78 | 84.53 | 67.22 | 80.16 |
| Japan (481) | 148.09 | 0.3 | 142.04 | 101.04 | 114.57 | 101.04 | 0.4 | 0.78 | 147.59 | 141.33 | 100.65 | 114.59 | 100.65 | 164.68 | 137.75 | 149.80 |
| Malaysia (107) | 546.21 | 0.1 | 523.94 | 372.72 | 422.60 | 524.38 | 0.0 | 1.72 | 545.79 | 522.65 | 372.22 | 423.78 | 624.29 | 585.09 | 425.77 | 523.54 |
| Mexico (19) | 1274.02 | -1.4 | 1222.07 | 869.34 | 985.70 | 10424.78 | -1.4 | 1.28 | 1292.43 | 1237.82 | 881.41 | 1003.50 | 10569.77 | 1325.65 | 791.99 | 1143.92 |
| Netherland (18) | 301.94 | 1.0 | 289.63 | 206.03 | 233.61 | 229.98 | 0.6 | 3.18 | 298.90 | 286.22 | 203.84 | 232.08 | 228.54 | 301.94 | 246.70 | 247.93 |
| New Zealand (15) | 83.08 | 1.1 | 79.69 | 56.69 | 64.28 | 63.97 | 1.1 | 4.30 | 82.14 | 78.65 | 56.02 | 63.77 | 63.27 | 84.71 | 75.94 | 78.80 |
| Norway (35) | 247.75 | 0.0 | 237.65 | 169.06 | 191.68 | 216.37 | -0.3 | 2.09 | 247.78 | 237.27 | 168.98 | 192.39 | 216.93 | 256.94 | 222.24 | 228.14 |
| Philippines (22) | 200.36 | -0.8 | 192.19 | 136.72 | 155.02 | 261.56 | -0.8 | 0.63 | 201.90 | 193.34 | 137.69 | 156.76 | 263.57 | - | - | - |
| Singapore (44) | 387.90 | -0.1 | 372.08 | 264.69 | 300.11 | 252.06 | 0.0 | 1.52 | 388.34 | 371.87 | 264.84 | 301.52 | 252.10 | 465.21 | 360.49 | 364.77 |
| South Africa (44) | 320.68 | -0.5 | 307.59 | 218.81 | 248.10 | 319.98 | -0.2 | 2.34 | 322.40 | 308.73 | 219.87 | 250.33 | 320.80 | 437.76 | 320.66 | 352.66 |
| Spain (37) | 175.50 | -0.8 | 168.34 | 119.75 | 135.78 | 167.45 | -0.9 | 3.49 | 176.89 | 169.39 | 120.64 | 137.34 | 169.04 | 183.85 | 145.15 | 154.26 |
| Sweden (48) | 352.11 | -0.7 | 337.75 | 240.27 | 272.42 | 345.71 | -0.8 | 2.47 | 354.50 | 339.47 | 241.77 | 275.25 | 348.51 | 380.77 | 261.96 | 282.67 |
| Switzerland (37) | 247.94 | 0.2 | 237.83 | 169.19 | 191.83 | 185.55 | -0.1 | 1.60 | 247.32 | 236.83 | 168.67 | 192.03 | 185.79 | 252.34 | 194.16 | 195.72 |
| Thailand (45) | 138.75 | -1.9 | 133.10 | 94.68 | 107.35 | 136.13 | -1.9 | 2.47 | 141.43 | 135.44 | 96.46 | 109.82 | 138.81 | 193.95 | 138.75 | 163.11 |
| United Kingdom (199) | 241.83 | -0.4 | 231.97 | 165.01 | 187.10 | 231.97 | -0.2 | 4.11 | 242.79 | 232.50 | 165.58 | 188.52 | 232.50 | 242.79 | 218.58 | 219.80 |
| USA (625) | 271.40 | 0.2 | 260.34 | 185.20 | 209.98 | 271.40 | 0.2 | 2.17 | 270.95 | 259.46 | 184.78 | 210.38 | 270.95 | 276.47 | 227.31 | 228.18 |
| Americas (790) | 248.13 | 0.2 | 238.02 | 169.32 | 191.98 | 208.67 | 0.2 | 2.16 | 247.72 | 237.22 | 168.94 | 192.35 | 208.32 | 252.43 | 208.68 | 209.39 |
| Europe (706) | 213.22 | 0.0 | 204.53 | 145.50 | 164.97 | 184.25 | -0.1 | 3.09 | 213.15 | 204.11 | 145.37 | 165.50 | 184.42 | 213.30 | 180.62 | 191.69 |
| Nordic (136) | 307.34 | -0.3 | 294.81 | 209.72 | 237.79 | 263.55 | -0.5 | 2.34 | 308.27 | 295.20 | 210.24 | 239.36 | 264.83 | 309.16 | 261.13 | 272.77 |
| Pacific Basin (880) | 161.36 | 0.4 | 154.79 | 110.11 | 124.85 | 112.38 | 0.4 | 1.23 | 160.69 | 153.88 | 109.59 | 124.77 | 111.91 | 177.01 | 146.66 | 159.15 |
| Euro-Pacific (1586) | 182.85 | 0.2 | 175.39 | 124.77 | 141.47 | 139.52 | 0.2 | 2.13 | 182.42 | 174.69 | 124.41 | 141.64 | 139.28 | 190.57 | 168.51 | 172.61 |
| North America (743) | 264.65 | 0.2 | 253.88 | 180.59 | 204.76 | 264.04 | 0.2 | 2.17 | 264.16 | 252.96 | 180.15 | 205.11 | 263.54 | 269.52 | 222.38 | 223.21 |
| Europe Ex. UK (507) | 192.84 | 0.3 | 184.98 | 131.59 | 149.20 | 157.07 | 0.0 | 2.52 | 192.32 | 184.16 | 131.16 | 149.32 | 157.11 | 194.86 | 169.65 | 172.27 |
| Pacific Ex. Japan (399) | 283.21 | 0.8 | 271.67 | 193.25 | 219.12 | 244.33 | 0.6 | 3.05 | 281.09 | 269.17 | 191.70 | 218.25 | 242.89 | 296.68 | 243.59 | 251.64 |
| World Ex. US (1795) | 184.02 | 0.2 | 176.52 | 125.57 | 142.38 | 144.07 | 0.2 | 2.13 | 183.63 | 175.85 | 125.23 | 142.58 | 143.84 | 191.55 | 167.36 | 173.76 |
| World Ex. UK (2221) | 208.15 | 0.2 | 199.66 | 142.03 | 161.04 | 175.63 | 0.2 | 1.95 | 207.62 | 198.82 | 141.59 | 161.21 | 175.27 | 213.05 | 185.61 | 187.45 |
| World Ex. Japan (1939) | 245.41 | 0.2 | 235.40 | 167.46 | 189.87 | 231.54 | 0.1 | 2.54 | 245.03 | 234.64 | 167.10 | 190.25 | 231.30 | 247.55 | 212.80 | 213.47 |
| The World Index (2420) | 211.08 | 0.2 | 202.48 | 144.04 | 163.32 | 180.68 | 0.2 | 2.15 | 210.68 | 201.75 | 143.68 | 163.58 | 180.38 | 214.95 | 188.71 | 190.29 |


Latest prices were unavailable for this edition.